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Economic Development and Cultural Change

THE UNIVERSITY OF CHICAGO
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ECONOMIC DEVELOPMENT AND CULTURAL CHANGE

A journal designed for exploratory discussion of the problems of economic and cultural change. Preliminary versions of research findings and research hypotheses are welcomed in the interest of provoking constructive and fruitful discussion.

R. Richard Wohl, Editor

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EXPERIENCES OF PERSONNEL OF U. S. VOLUNTARY AGENCIES*

INTRODUCTION

1. This report is based largely on interviews and consultation with 54 persons with relatively long experience in less developed areas under the auspices of 31 United States voluntary agencies. These agencies include missionary societies, secular service committees or organizations related to religious bodies, and private foundations conducting technical assistance programs.

2. The fields of activity of these agencies include programs for literacy, vocational training, higher education, public health, social work, farm credit, agriculture, and multi-purpose village development. The annual technical assistance budgets of the agencies whose personnel were consulted range from \$150,000 to \$39,000,000. No person was interviewed who was employed by an agency with less than seven years' operating experience in long-range technical assistance, as distinguished from emergency relief.

3. The average overseas experience of the persons consulted was 17 years. The most experienced consultants began their work in less developed areas between 1900 and 1910. The geographical areas of experience include the Far East, South and Central America, the Near East and Africa. Eighteen consultants had had experience in more than one area.

4. All consultants were promised anonymity and it is therefore impossible to thank them by name for their co-operation. Mention should be made of the assistance of the American Council of Voluntary Agencies for Foreign Service in securing the co-operation of those of its member agencies with relevant experience, though it should be added that the sources of this report are not limited to persons from such agencies alone.

5. The scope and methods of technical assistance projects of voluntary agencies differ considerably at points from those of the United Nations and governmental programs. Voluntary agencies seek to obtain an intimacy and flexibility of operation not always possible in larger-scale governmental projects. Although United Nations projects include rural demonstrations and other local programs, United Nations experts at the present time deal predominantly with central governmental officials in planning programs for large-scale, long-term action, while the bulk of the work of American voluntary agencies, especially the denominational agencies, is done in the rural village or urban neighborhood.

6. Nevertheless, many of the basic problems of technical assistance work are similar, whatever the scale of the operation. Thus, no large-scale program can succeed unless it succeeds with individuals locally. For these reasons, and

* This paper, like several in our last issue, was originally read at the UN-UNESCO Conference on Social Aspects of Technical Assistance Programs for Economic Development and was prepared by the Public Administration Clearing House. We wish to acknowledge the kindness of these agencies in making this essay available to our readers. Readers who may wish to explore this subject further will be interested in learning that the Public Administration Clearing House has since published a much expanded version of this report entitled, Fifty Years of Technical Assistance, Some Administrative Experiences of U. S. Voluntary Agencies, which may be obtained from that agency (1313 East 60th Street, Chicago 37, Illinois) for \$1.50.

because differences in approach may stimulate new ideas, the material in this paper may prove useful to the United Nations and its Specialized Agencies.

I. PROBLEMS OF TIMING, BALANCE AND PRIORITY

7. Problems of over-all timing, balance and priority usually confront voluntary agencies in the selection of projects.¹ The following points are those that the persons consulted consider important in selecting projects.

A. Tangible and Intangible Major Goals

8. Most consultants state it to be their experience that introducing improved technological practices of raising levels of health, education, or agricultural production are insufficient by themselves as goals for technical assistance programs. Single-minded pursuit of economic or technological improvement, without consideration of social conditions or of the social impact of the results or of the means used to obtain them, may do more harm than good to indigenous people and may sharply limit the acceptance, retention or humane use of the new techniques.

9. Consultants state that social consequences are apt to be overlooked in the pressure to solve the many operational problems arising in technical assistance, unless social considerations are embodied in the major goals of programs from the very beginning. Consequently, along with such tangible goals as improving levels of living, introducing vocational schools, raising agricultural production, etc., many consultants set less tangible, social goals such as the following:

Developing a spirit of local self-help and initiative.

Encouraging a sense of human equality and of the potentiality of the human being.

Creating greater and more effective community solidarity and co-operation.

Encouraging greater appreciation and revitalization of local traditions.

Helping to make life spiritually and emotionally more rewarding for the people on their own terms and within their own culture.

Finding ways of imbedding improved practices in local society without causing too sharp a change in those existing spiritual, cultural or social frameworks which give meaning, satisfaction or security to the people.

10. The draft agreement of one project now under way — one that involves much practical, "dirty-hands" work — states the following objectives:

"(1) Humanitarian — to improve the living conditions of the . . . villagers and to give them a more satisfying life.

"(2) To develop initiative and self-help activities among the villagers.

"(3) To reduce tensions and foster understanding between groups. . . ."

(1) Some experiences in timing the execution of projects are described under Topic IV below, paragraphs 85-107.

11. Some consultants regard intangible goals of this type as ends in themselves, along with more practical achievements; others, as means which are so essential to the successful attainment of tangible goals that they deserve the rank and weighting of ends.

B. Essential Preconditions for Selecting a Project

12. Many consultants state that the means used to attain project goals may have greater and more lasting significance for indigenous people than the achievement of the goals themselves. In order to avoid social dislocation, anxiety, cultural or spiritual rootlessness, attitudes of overdependence or other unanticipated but harmful secondary consequences, many consultants say that their agencies will not undertake projects in which they will have to use means likely to produce such consequences. Conversely, consultants state that their agencies insist on conditions which will permit the use of methods which will have neutral or intrinsically constructive social consequences. Some of the more important of these conditions follow:

i. Felt Needs²

13. According to the consultants, some agencies will not undertake projects unless they can limit innovations to those which answer existing felt needs of the people. Consultants do not mean that the people must express a need for a specific innovation, but rather that the innovation must answer a felt need. One principle underlying this approach is that technical assistance which does things for indigenous people is less valuable than technical assistance which helps people to do things for themselves. Response to felt needs is stated by some consultants to be the best way — and by some others to be the only way — to create receptivity to change and to secure the willing participation of indigenous people in development programs. It is stated to be the best way to avoid increasing attitudes of subordination and dependence, which may occur if improvements are planned and carried out for indigenous people by outsiders. Finally, it is stated that this approach offers an automatic control on the degree of social dislocation that can be caused by innovation. Confining himself to answering felt needs, the outside expert is less likely to destroy any conditions or relationships or objects which for the local people have goodness, beauty or justness.

14. Consultants differ in the rigor with which they limit their work strictly to satisfying felt needs. Proponents of the method say that it develops trust and co-operativeness, that when indigenous people see small improvements that answer their needs, they look at their environment with a more critical attitude and are less likely to accept poor conditions with fatalism. In this way, the satisfaction of one or two small felt needs leads to the recognition of larger, more important needs and to an ever growing momentum for self-improvement and innovation.

15. Other consultants only limit innovations or improvements strictly to those which answer felt needs at the beginning of their projects. Once trust, co-operation, and a favorable attitude toward change have been achieved, these consultants state that it is possible and desirable to suggest innovations or to help the people articulate needs which are felt but only vaguely formulated. A few consultants state that it is sometimes necessary for the outsider to provide the initial impetus and direction for innovation, whether there are felt needs or not.

(2) See also Section IV B, paragraph 83.

16. Whether they adhere to felt needs strictly or loosely, consultants agree that this approach does not mean satisfying whatever felt needs exist in a local area. The outside expert does not abdicate his responsibility for wise guidance; he seeks to respond only to those felt needs that he knows are important for the welfare and development of the people in the area. These decisions may be difficult. Some consultants state, for example, that it is unwise to respond to insatiable felt needs for curative medicine since such a program allows little time for preventative health measures which are more beneficial in the long run. At the same time, some curative treatment may be necessary to obtain the trust, co-operation and belief required for successful preventive medical programs.

17. Most consultants do not consider response to felt needs an inflexible operating method. In their view it is more important to recognize constantly that innovations should be related to existing local needs rather than be determined largely a priori by the outside expert on the basis of his experience in his own home country. Consultants state that social dislocation and other harmful social consequences are more apt to result if the indigenous people themselves are not — at least partly — the arbiters of the pace and direction of innovation.

ii. Availability of Suitable Personnel

18. It is the consensus of consultants that successful technical assistance depends largely on good human relations and that it is better not to operate a project at all than to operate without suitable personnel. (Qualities that determine suitability are described in paragraph 84 below.) Some consultants state that persons attracted solely by high salaries are not apt to be suitable. It is also stated that personnel are unsuitable who will not treat local people as equals or who are predisposed to technical assistance because they like to feel that many people are dependent on them for life or salvation.

iii. Sufficient Time for Success

19. Consultants state that pressure for quick results leads to ways of dealing with local people that will have harmful social consequences. If the work must be done quickly, the foreign personnel will tend to order co-operation rather than to work for it. In addition, if innovations must be introduced quickly, there is less time for indigenous people to adjust their thinking, their social relationships and perhaps even their religion to the new situation. Many consultants state that foreign personnel should have at least a year in the receiving country to develop a knowledge of it and an affection for it before they can make effective contributions to technical assistance. Consultants are not unmindful of the urgent needs which exist and which ought to be speedily answered. They do not feel, however, that hastily organized projects are apt to remedy the difficulty.

iv. Conservation of Limited Resources of the Country

20. Some consultants point out that the effort to receive and entertain a visiting mission may drain much of a Ministry's budget or much of the available short supply of local housing or of scarce indigenous professional talent. Similarly, agricultural demonstration areas may use up limited supplies of manure, land, seed or personnel in an effort by outsiders to show local people what can be grown under perfect conditions, which they may never realize.

21. Several consultants state that the receiving government must always be fully apprised of the complete cost to it of a visiting mission of experts or

of accepting equipment or installations which require careful maintenance and repair.

v. Prospect of Co-operation and Success

22. Many consultants state that projects should not be undertaken unless there is a good prospect of success. This is stated to be most important with pilot projects. The impact of failure on the receptivity of indigenous people to change outweighs the importance of establishing that projects can succeed even under the least propitious local conditions.

23. Consultants state that along with physical and economic criteria, a key criterion of likelihood of success is the prospect of genuine local co-operation. The first element in assessing likelihood of co-operation is a genuine invitation from the government or some group in the receiving country. Without it, most consultants state that their agencies will not undertake a project. Long preliminary negotiations are sometimes necessary to obtain such an invitation without high-pressure salesmanship and extravagant promises. Occasionally only one or two indigenous persons may express a desire for a project. Some consultants then encourage (or assist) these persons to organize committees or groups to act as project sponsors. Consultants state that it is essential to have a sponsoring or inviting group in the receiving country, although an invitation from the village or neighborhood of operation is not always essential.

24. Consultants who work at village levels make a point of obtaining approval and co-operation of governmental officials and other key professional leaders before starting. Some consultants state that if projects are to be continued by indigenous groups, advance consultation with official and professional leaders is essential and that the long-term plans of the government or of professional leaders should be taken into consideration in determining the size and location of the project.

25. Consultants report that some agencies go to great lengths to determine the prospect for co-operation in areas where they are considering operations. Previous "high pressure" technical assistance projects may sometimes have encouraged feelings of dependence, passivity and "Santa Claus" attitudes toward outsiders which make it unlikely that genuine local co-operation and initiative can be achieved. Some consultants will only undertake projects where it is agreed at the outset that the indigenous group will bear a portion of the cost or provide labor, local expertise or other requisites. Sometimes a long-term budget is drawn up in which the proportion of assistance from the outside agency decreases progressively each year.

26. Some consultants study carefully existing social conditions which affect likelihood of success. One consultant states that his agency has been asked by an indigenous group in a Latin American country for eight years now to send a mission to a certain town. It has carefully studied conditions in this community year after year and has consistently refused the invitation on the ground that the existing hostility of the people to outsiders would make co-operation impossible. It has, however, stationed a man in a neighboring area. Part of his mission is to attempt to reduce local hostility to foreigners in the first town in the spare time from his work in the second one. Some consultants make a point of ascertaining tensions and community solidarity in local areas before deciding where to locate projects. They state that there is little likelihood of co-operation or of continuation of the project locally if sharp rivalries and antagonisms between local groups make community solidarity impossible.

27. Some consultants will not undertake programs for the training of specialists or for scholarships unless the government or some other indigenous institution guarantees that the person will be suitably employed on completion of his training. Sometimes the trainee himself is asked to sign an agreement that he will return to a specified job.

vi. Simple Equipment and Modest Budgets

28. Consultants state that free spending and the use of large or elaborate machinery are apt to widen the gap in understanding between indigenous people and outside project personnel; they render more difficult a sense of equality and of equal participation, and are apt to create attitudes of overdependence and to obstruct the development of local self-confidence and initiative. Some consultants will not undertake projects involving elaborate equipment or free spending.

vii. Possibility of Reproduction

29. Consultants state that to be of any help to indigenous people, demonstration projects must use only equipment and skills that will be available to the indigenous people. This consideration is particularly important in pilot projects and demonstrations. The danger is well recognized that demonstrations may whet the appetite of local people only to leave them frustrated when the foreign personnel and equipment are withdrawn.

viii. Possibility of "Turn-Over"

30. Consultants state that wherever possible projects should be limited in complexity so that they may ultimately be turned over to indigenous people for permanent operation. Projects involving heavy maintenance costs should be avoided. Consultants state that to achieve "turn-over," sufficient time for developing local leadership, sponsoring groups and technical skill is required.

C. Priorities and Strategy

i. Incentives and Benefits

31. Many consultants state that projects should be aimed at the immediate or ultimate improvement of the condition of the most needy elements in the indigenous society. Projects should be avoided in which middle-men, already relatively wealthy, will absorb most of the benefits.

32. Consultants state that people at local levels will not risk innovation or make efforts to improve conditions unless they expect to share in the resulting benefits. Farmers, for example, have little incentive to sow improved seed if the increased yield goes largely to landlords or moneylenders. For this reason, some consultants state that priority should be given to farm-loan or co-operative credit programs. Such programs require group organization and education if the loans are to be repaid. One consultant states that inducing one or two local landlords or moneylenders to lower their rates or to pass more benefits of innovation on to their tenants or debtors is worth a year's work in agricultural demonstration.

33. The condition of the most needy may sometimes best be improved, according to some consultants, by programs that train or educate upper or middle class persons — the "elite." These may be a desirable first step, since the middle or upper class may be more immediately responsive to the need for change and innovation and more easily trained. However, "elite"

training and educational programs should not be regarded as ends in themselves. Many consultants recognize the danger that higher education, professional training or travel fellowships may educate indigenous trainees away from willingness to work among needy village or city people. The dangers of creating rootlessness or a class of unemployed intellectuals are also recognized.

ii. Multi-Purpose Village Programs — Balanced Teams

34. Consultants are heavily in favor of multi-purpose community development programs. Many consultants state that disease, illiteracy, fatalism, and low productivity form a cycle of mutually reinforcing forces that act to perpetuate a low level of living. To deal with one force alone is frequently futile. Hence, a balanced team of specialists is preferable to a single-purpose program. Some consultants would add a sociologist to the project team.

35. At the same time, consultants state that it is necessary to select one focal goal in a multi-purpose program. The other specialties take their place in relation to the focal activity. Otherwise, consultants state, the project is likely to lose tempo and impact. Different activities are suitable to different areas and stages of operation, but most consultants, including those in other specialties, believe that agriculture is generally the best initial focus of activity.

36. Some consultants state that the limiting factor in village development programs is availability of personnel capable of the relatively delicate human relations involved in such programs. Some consultants state that another important limiting factor is the creation of a team spirit among the different specialists so that full interdisciplinary co-operation is obtained.

iii. Training Government Leaders

37. Consultants state that it is important to train leaders and officials so that they will understand the value of the approach through the felt needs of the common people in their country. Consultants speak of co-operative projects that have been developed to the point where foreign personnel are no longer needed and the projects are ready for turn-over to indigenous local committees or groups. But these local groups will have to deal with regional civil servants of the national government who are accustomed to securing obedience by authority rather than by discussion and co-operation. Such methods may set back the individual local initiative and self-reliance that the project has developed. Other consultants stress that training of government officials can make governmental requests for technical assistance more effective.

II. WORKING RELATIONS WITH OFFICIALS: BRIEFING AND ORIENTATION

A. General Comments

38. Not all consultants have had experience in working closely and continuously with indigenous government officials. Some of those who have had close government contacts regard briefing as only one among a number of devices to bring about good working relationships with officials.

39. It is stated that briefing is less important than careful selection of personnel. If a person does not have the personality traits necessary to secure the trust and friendship of political officials, neither briefing nor long orientation and local residence will remedy the defect.

40. It is stated that briefing is not an adequate substitute for orientation on the ground: time to live in the country and to learn its ways, its tempo and its feel; time for the outsider to acquire that genuine affection for the country which indigenous people so quickly sense and which is a most important condition for securing their co-operation and friendship.

41. It is stated that briefing cannot salvage official co-operation after advance arrangements, involving over-selling, over-promising, over-publicizing or over-paying, have created defensive or resentful attitudes in officials or other indigenous leaders.

B. Briefing and Orientation

i. Briefing of Project Personnel

42. On the other hand, most consultants agree that while briefing is not a panacea, it is an essential feature in any successful program. Effectively done, briefing can lessen the strain on the expert; it can make the time he spends in the country more productive by providing a framework of knowledge to help him to understand more quickly what he sees. A good briefing program, it is said, can arm the outsider with knowledge so that he can talk sensibly and sensitively with officials. Such knowledge should include information about local customs, etiquette, cultural achievements, social rankings, economic and political conditions and biographies of influential persons and their relationships to one another.

43. Briefing can also achieve important psychological effects necessary for the successful operation of projects. Some consultants state that their agencies seek to awaken a sense of interest and curiosity about the country in the new staff member. This may be of considerable importance, for it may lead him to a sense of intellectual humility, a willingness to learn more and an initial intellectual and emotional involvement in the country and the progress of its people.

44. Some consultants state that their agencies conduct briefing on a team basis, so that the shared experience can be the foundation for co-operativeness and high morale within the project team. It is stated that team-briefing is essential for teams composed of specialists in different subjects to attain full interdisciplinary co-operation.

45. If briefing is to accomplish these results, briefing programs themselves must be carefully organized. Successful briefing takes time. Some consultants state that the programs of their agencies last from three months to four or five years. (In the longer period, training in specific skills is included.) Some consultants state that hasty briefings are unlikely to produce good results, particularly where the aim and substance of the briefing is purely intellectual.

ii. "Two-Way" Briefing

46. Some consultants state that briefing should not be confined to technical assistance personnel but that efforts should be made to brief officials, leaders or villagers in the receiving country before the outside personnel arrive. Briefing of indigenous officials and leaders should include information about the purpose of the project, the foreign personnel and the best uses that might be made of outside assistance. Some consultants state that many damaging incidents and misunderstandings can be prevented if indigenous officials are briefed in advance about some of the peculiarities and customs of person-

nel from the more developed countries.

iii. Orientation in the Country

47. Some consultants state that their agencies provide short briefing programs in the United States and allow from three months to a year for their field personnel to live in the receiving country and adjust themselves before assuming operating responsibilities

48. A majority of consultants state that it is unlikely that a man will contribute anything effective to a program in a foreign country until he has lived there a year. The narrowest estimate is that a highly capable person with suitable personality traits and attitudes can learn enough about the country to operate effectively after three months' residence.

49. Many consultants state that orientation should include visits and conferences with indigenous leaders in the professional field and with indigenous and foreign persons already conducting technical assistance projects in the country. Good orientation includes the provision of contacts and letters of introduction to knowledgeable indigenous and foreign persons in the receiving country.

50. Several consultants state that orientation will be more successful if project personnel travel by ship rather than by airplane. Ocean travel allows more time for adjustment and provides the opportunity for the first contact with people from the less developed country away from the expert's home grounds.

C. Working Relations with Officials

i. Early Contacts

51. Consultants state that the task of creating good working relationships with officials begins long before the expert arrives, in the negotiations which lead local officials to ask for assistance. The dangers of over-selling and over-publicity have been mentioned. One consultant states that the indigenous officials should be permitted to designate the expert they want or to select the man they want from a list of available experts. The local officials will then have a greater initial sense of responsibility for the reception of the expert and for co-operation with him.

52. Some consultants state that at first only advisers of outstanding ability should be sent to the receiving governments. Men of this caliber, it is stated, are more apt to gain the trust and confidence of officials than mediocrities; they can then aid the officials to determine where and in what way further assistance can be of most use.

53. Some consultants with long experience working with governments as advisers state that once the adviser or expert has arrived in the country, he should offer no advice until he knows more about the local conditions affecting his particular field than the officials with whom he deals. Persons with experience ranging from malaria control to social work agree that local conditions are always different from the conditions in home countries where the experts have learned their specialty.

ii. Short-Term Visiting Missions

54. It is relevant at this point to note that almost all consultants are critical of short-term advisory or visiting missions, partly because they do not provide visiting experts with the time to learn enough about local conditions

to make their comments useful and helpful. Several of the most experienced consultants state that it is preferable for agencies to have full-time career technical staffs so that they need not recruit experts who can only get leaves-of-absence from their regular jobs for short periods.

55. On the positive side, it is stated that careful administration and planning can make visiting missions more effective. The specific task of the mission should be thoroughly delimited and explored in advance negotiations. It is frequently possible to furnish mission-team members an advance list of specific questions or subjects on which they will be called upon to express opinions. They can then consult the most expert opinion at home before departing.

56. Consultants with experience in these programs state that experts should be selected, where possible, from among teachers and extension agents rather than researchers. It is stated, that men with teaching experience have more skill in communication and tend to be more sociable.

57. The provision of an administrative assistant, preferably a national of the country to be visited, can do much to free team members from unnecessary detail and to maximize the time available to them for communicating information and advice. Advance planning can reduce the many banquets and social functions that lessen the time available for learning about local conditions and for communicating information.

58. Consultants state that advance arrangements for local counterpart persons to act as personal hosts have also proved effective in the practice of voluntary agencies.

iii. Achieving Good Working Relations

59. Consultants state that much of the usefulness and effectiveness of outside experts or advisers lies in their neutrality. If the outsider maintains this neutrality and acquires a reputation for discretion and sympathetic understanding, his usefulness will be greatly increased. Officials will feel that they have someone to whom they can speak frankly on matters which they would not want to discuss with their colleagues who are potential competitors or with their expert subordinates.

60. Working co-operation will be greater if the outside expert shuns publicity and lets indigenous leaders receive credit for any innovations or improvements. The outside expert will be more influential if he manifests a selfless devotion to his work and his project.

61. Consultants state that officials are suspicious of outside experts partly because they feel that the outsiders lack an understanding of cultural traditions or local political conditions and are therefore apt, even with the best of intentions, to cause political difficulties or to work in a spirit alien to the traditions or aspirations of the country. At the very least, the outsider should demonstrate a thorough knowledge and a sensitive appreciation of local conditions, if this suspicion is to be lessened. Some consultants doubt whether this type of suspicion can ever be wholly overcome except through long personal friendship. An open expression of awareness of this problem is stated by some consultants to be conducive to building sound relations.

62. Consultants state that outside experts will accomplish more if they understand the limitations and difficulties which affect the attitudes of officials. One consultant suggests that suitable initial preparation on this score would be to have the expert attempt to get some innovations adopted by his own home

government. This would teach him that governmental delays cannot always be eliminated and are not limited to less developed countries.

63. In dealing with the higher civil service, consultants state that the outsider should remember that he remains but a relatively short time, while the civil servant depends on his superior for promotion. One civil servant, however sensitive or well trained, cannot be expected to overcome existing institutional attitudes and policies. The low salary scales which frequently force officials to take outside jobs to provide bare necessities for their families should be recognized as a possible reason for delays, lack of heroism in pushing innovations or slowness in reciprocating hospitality.

64. At the Ministerial level, a great barrier, according to consultants, is an attitude of defensiveness. Consultants state, that this may be partly motivated by national pride and an unwillingness to let it appear that something has been left undone which should have been done. It may also be motivated by the fact that the politically appointed Minister is usually an expert in law and politics and has little time to master the substantive details of the work of his Ministry. Consultants state, again, that ministers in any country may fear to display ignorance before the specialized knowledge of their subordinate technicians. The Minister may simply transfer to the visiting expert the same defensive attitudes and vaguenesses that protect him from his own specialists.

65. Two consultants report that they have used these motivations to their advantage and have acted as unofficial technical advisers to Ministers who, they state, fear loss of face in asking their subordinates questions and who welcome neutral, discreet technical advice.

66. Some consultants suggest means for overcoming these defensive attitudes. It is said that where visiting experts come as a team, group discussions by the team with indigenous officials or specialists offer a good opportunity to demonstrate that questioning, differences of opinion or even being proved wrong on a technical matter are in the professional tradition and do not involve loss of face or vocational shame.

67. Consultants agree that the most effective way to dissipate defensive attitudes is by personal friendship. This usually comes about only if the visiting expert demonstrates a genuine affection for the country and a genuine desire to be of help.

III. PROBLEMS OF ADAPTING AND COMMUNICATING MODERN TECHNIQUES

68. Some consultants state that many techniques currently most suitable for extensive use in a country have already been developed by indigenous professional leaders or the common people. The first task of the outside expert is to familiarize himself with what has been done or invented by the local people, by indigenous specialists or by other outsiders already operating technical assistance projects. It is unwise to ignore or to fail to tap the practical wisdom of the people. Frequently a village has traditions of better practices which have been abandoned because of poverty or because the means for implementing them were not available. Many consultants make a point of talking with older villagers to find out what better practices are already in the storehouse of village tradition. One consultant in the Far East was able to reclaim a large area of potentially fertile land by the use of a traditional method last used a hundred years before. Under existing local conditions, no other method could be used. What was lacking was the incentive and the ability to mobilize village labor to carry the program out. These the consultant was able to supply

69. Some consultants state that locally developed techniques generally fit the local needs and conditions more precisely, are more willingly adopted and involve less social dislocation in their introduction. It is stated to be wise and more economical to build upon what has already been done or discovered locally than to begin with completely new techniques that must be slowly simplified and adapted by trial and error to fit local conditions. At least a start can be made by revitalizing useful traditional practices while the completely new techniques are tested and adapted experimentally.

70. One value of revitalizing useful traditional practices is that in many societies a traditional practice in one field is linked by an elaborate and comprehensive network of social institutions with many other practices in other fields. It is often impossible to pick out one existing practice from the network and replace it with a new one without affecting or undermining the fundamental spiritual and social consensus of the society.

71. Consultants state that it saves time to consult indigenous scientists, university experimental or demonstration groups or other local professional leaders. Improved practices frequently require long initial experimentation and development. It takes a long time, for example, to develop improved seed. Building on what has already been done may save the foreign expert years of such development.

72. Some consultants emphasize the need to introduce simple and inexpensive innovations if acceptance is to be obtained and if some improvement is to be achieved relatively quickly. Improved seed, elementary drainage, poultry raising, inexpensive sprays or two-month training for practical nurses are examples of the level of innovation sought at first. The village-help primer of Dr. Ira Moomaw, Education and Village Improvement, remains in the minds of some consultants an outstanding account of the practical innovations and techniques which can help people raise their level of living.

73. Many consultants have experienced difficulties in adapting improved techniques to fit existing cultural or religious practices or traditions. One example is the necessity for a consultant in Africa deliberately to bitter a bland medicine to secure its acceptance as an effective remedy. Another example is the rejection of an improved strain of livestock because of its color which had religious significance. These experiences are so specific to local environments that it is not fruitful to elaborate them in a general discussion. Consultants state that a useful means of anticipating and solving such problems of adaptation is to set up indigenous advisory committees or to take local people into the project team with full status as co-planners. One consultant asks local committees to screen all literacy materials for usefulness and possible harmful social impact before they are translated and printed for local use.

74. According to some consultants, a major difficulty in communicating modern techniques is that rational means of demonstration and persuasion are of limited effectiveness. Because of the low level of formal education for a majority of the people and because of the absence of a rationalistic-scientific tradition, standards of proof and demonstration are different. To counter smugness on this score on the part of Westerners, a consultant points out that in an attempt to demonstrate hookworm under a microscope, some Far Eastern villagers showed the same reluctance to believe what they saw with their eyes that had been encountered in less developed areas in the United States only a few decades previously.

75. The lack of a high level of education and of a scientific-rationalistic tradition conditions not only the means used to effect communication but the

degree of complexity of innovations that can be introduced. One consultant attempted to test the effectiveness of new antibiotic drugs in combating a local type of trachoma virus. The indigenous personnel carrying out this program had been trained professionally but failed to keep accurate objective charts. They did not want to record that the drugs were not effective because they knew that the foreign project personnel hoped that the drugs would work. The indigenous personnel assumed that protecting foreign personnel from losing face was more important than scientific objectivity.

76. These differences in tradition and education render ineffective many public information programs using mass media. An obvious but not unique example is the Disney antimalaria cartoon which, according to several consultants has aroused amusement but has gone unheeded by indigenous people in almost every part of the world. Films and posters made locally and portraying local scenes and people are always more effective.

77. Many consultants state that one of their early mistakes was over-reliance on the persuasiveness of demonstration. Consultants with experience in widely different parts of the world tell stories of the same genre as that of one who demonstrated to skeptical people in a Caribbean country that early weaning would kill neither cow nor calf. They were not convinced. Their reply was: "Yes, but it is your cow."

78. Many consultants agree that the only way to bridge this gap in standards of proof and belief is to develop the personal trust and affection of the indigenous people. Friendship and personal trust must be used to obtain belief and co-operation until practical benefits of innovations are obtained by the people.

IV. SECURING LOCAL AND OFFICIAL PARTICIPATION

A. Initial Resistances and attitudes

79. Local people in any country are initially suspicious of outsiders, particularly if they are complete foreigners and if there is no obvious reason why they are there.

80. It is not always easy for outsiders to appreciate the depth of suspicion created by their arrival or the closeness with which their every action is observed as village people attempt to categorize them.

81. The staff of a village-development project currently under way in a Far-Eastern country made a survey of 40 villages to find out what the local people thought of the newly arrived project personnel. The survey was conducted by a rural sociologist who had been brought up in the area. These were some of the replies:

Some say we will acquire the best lands of the area and start a farm.

Some say we will change the caste system and make everybody equal. We will change the religion of the people.

We have acquired the area from the government as it could not pay off the loan taken from the American government for the purpose of constructing the large dam nearby. We are permanently settling here and will rule them.

We are very high officers delegated by the government to settle and rule the people of this area. If this is not a fact, then the government . . . would not have built buildings for us and

the great officers would not have come to us to pay homage to us. (The visit of high government officers to us makes them believe we are concerned with the government and makes us higher in position than those who visit us.)

Some believe we are going to change the way of life from individual families to community living. Under the conditions of community living we will ask them to have a common kitchen, regardless of caste, creed and nationality, and they will have to live under one roof. They need no longer take care of their children as their children will be taken care of by us in our maternity center. As soon as a child is born in the village, the parents will be asked to hand it over to us.

Some of the villagers are under the impression that we will not allow the leper patients to live in the area. We will either shoot them or take them away from this area.

We have come here to influence the people politically in order to gain votes.

82. In some instances the suspicion of outsiders may be heightened by unpleasant or unproductive experiences with other outsiders who came before. The villagers may have seen a number of high-pressure innovators, salesmen or reformers come and go. They may have developed techniques of acquiescence and politeness to deal with visiting, short-term "improvers" in such a way that the outsider can leave convinced that he has improved conditions and the villagers can go back to the traditional practices that they know will work.

B. Felt Needs

83. Many consultants state that only by limiting early undertakings to those which satisfy existing felt needs of the people can suspicion be transmuted into willing participation in improvement projects or willing acceptance of new methods and techniques. This point has already been discussed under Topic I.³ It is desirable to reiterate, however, that some consultants have learned that planning from the top down in less developed areas is inefficient and will in practice increase attitudes of subservience and fatalistic acceptance of what has to be. Where such attitudes are strong, there can be little development of local initiative and local leadership.

C. Personnel

84. In the view of consultants, the success of technical assistance programs either at official or village levels depends mainly on successful personal relationships. The following desiderata are frequently mentioned by consultants.

a. Personnel must be technically competent, in a practical sense. They must have something to contribute to the community, so that their purpose and their usefulness is evident to the people.

b. Personnel should know the language, and, in village projects, preferably the local dialect. Speaking it, however badly, is a courtesy and a sign that one is willing to meet the people on their own ground. Many consultants have experienced trouble by having to use interpreters. Interpreters may not be capable of rendering the nuances which mean so much in personal relation-

(3) See Section I B i, paragraphs 13-17.

ships. Sometimes they may attempt to profit by their strategic position, collecting bribes from villagers, etc. Whatever the fact, the suspicion that one's interpreter is not transmitting faithfully may lessen the operator's sense of security and his general effectiveness.

c. Personnel should know the customers, social forms and groupings, and religious practices prevalent in the receiving country.

d. Personnel should have rugged health so that they are physically able to live and work with the people. They should be old enough to carry weight in societies that give deference to age.

e. Personnel should have a sense of humility and a willingness to learn from local people (and from their own mistakes). They must be capable of affection for, and identification with, the people of the area. A sense of humor will often be a saving quality.

f. The outsider must deal with the people in a spirit of complete equality. Indigenous people will look for signs of assumed superiority. It is doubtful whether persons who do not really feel this sense of human equality will succeed in appearing to have it. Consultants state that villagers have great acuteness in detecting sham or hypocrisy.

g. Local people are predisposed to suspect outsiders of selfish motives which will be satisfied at the villagers' expense. A person who displays selflessness and a spirit of dedication is more apt to win respect and willing co-operation. On the other hand, opulent living, seeking publicity for oneself for local efforts or fussing about the discomforts of rural living or rural plumbing are all apt to convince the local people that their initial suspicions are well founded.

h. Personnel should be willing to stay in the area for a long time — some consultants say for life, others for at least three to five years. People will not have confidence in men who stay for a short time only.

i. Personnel should have emotional security and balance, self-confidence and self-esteem. If they do not, they will not have the judgment or the leadership required, and it is doubtful whether they will have the necessary skill and sensitivity in human dealings. The man who is so insecure that he is overeager to obtain local recognition and who does everything himself in order to win such recognition may kill initiative or become a toy of the villager. A number of agencies use psychological tests, including Rorschach Tests, to assess emotional maturity.

j. Many agencies send men out only in teams. Consultants say that teams provide mutual encouragement and stimulation and keep alive the sense of purpose that motivated the project at the start. Team membership provides a discipline which lessens the likelihood of personnel succumbing to certain occupational diseases of technical assistance work abroad. One such "disease" is the development of attitudes of authority or paternalism toward local people. Some consultants note that defeatism resulting from frustrations and a sense of ineffectiveness may lead to time-serving, withdrawal from contacts with local people, and finally retreat to a large house and patronizing attitudes towards indigenous people. Furloughs in the home country, where, in the words of one consultant, "they will be just another rider in the subway," are also considered useful preventive measures.

k. Wives of team personnel can undo whatever co-operation has been achieved by their public actions or by their thoughtless expressions before servants. Some consultants say their agencies interview the wives of persons

being considered for overseas work and include wives in briefing programs.

1. There is considerable agreement among consultants with experience in village development programs that most of the contacts in villages should be made by indigenous extension workers wherever possible. Employment of indigenous personnel in positions of leadership is also strongly recommended.

D. Operating Methods: The First Stage

85. Some consultants with experience in village development work distinguish three successive stages in the conduct of projects. It is useful to discuss the problems of securing local participation in terms of these stages, although they are really steps in a continuous process.

86. The objectives in the initial stage are usually: to secure the trust and confidence of the people; to dispel attitudes of fatalistic acceptance of the existing poor conditions; and to create by successful action an awareness that betterment is possible. Additional objectives in this initial stage include: obtaining reliable information on local conditions and local needs, and selecting and training indigenous personnel who will be used as extension workers, assistants or supervisors.

i. Securing Co-operation and Confidence

87. The human relations aspect of this objective has already been discussed,⁴ but it is desirable to report some experiences revealing methods. In view of the initial suspicion of outsiders, some consultants state that it is wise to begin activities as quickly as possible after entering a new village so that the villagers can get a realistic idea of what one is up to. Some consultants attempt to prepare villagers in advance of their arrival. A Missionary agency with some 60 years' experience tries to counter shock or wild rumors in its operations in South America by giving accurate information about its work and purposes to steamboat captains months before it extends operations into villages further up the river.

88. Consultants believe that care must be exercised in the selection of housing accommodation and project buildings. By selecting quarters or constructing buildings with unusual architecture, a lasting gap may be created between project personnel and local people.

89. Heavy spending or the introduction of elaborate machinery or equipment in early stages are apt to increase a sense of difference between villagers and project personnel and to create attitudes of dependence which hinder self-reliance and initiative.

ii. Securing Information

90. Some consultants state that it is wise to begin to meet existing felt needs that the project team can identify even before surveys are conducted to get reliable information. Others state that information on local conditions should be obtained first. Several consultants report that preliminary surveys and questioning may increase the suspicion of the local people, who frequently suspect that the questioning has something to do with tax collections. It is considered wise to have such surveys made by indigenous personnel, preferably from the local area.

(4) See Section II C iii, paragraphs 59-67.

iii. Selecting and Training Indigenous Personnel

91. Many consultants state that their agencies try to employ indigenous specialists in positions of project leadership wherever possible. Foreign personnel frequently work under indigenous project leaders or supervisors. However, it is often necessary to recruit indigenous personnel for village-level extension work. Some consultants select such indigenous workers after performance tests to demonstrate the willingness of the applicant to work with his hands or his ability to understand and convince local people. The training program may last a month. It is followed by on-the-job training and by occasional refresher training. Training includes skills, improved practices and technique for enlisting the co-operation of village people. During the first stage, as in all others, time is devoted to making indigenous personnel feel that they are equal members of the project team.

92. The experience of some consultants is that it is most desirable to use promising personnel from the local area, whatever their lack of advanced education. It is stated that such persons will be more effective and can be trained on the job. Some consultants take a hard-headed attitude about over-training indigenous assistants; they say that it should be avoided because too much training will cause the person to drift off to the cities in search of a desk job where he will not have to work with his hands.

93. Many consultants warn that discretion should be used in accepting early offers of assistance. In many instances marginal members of village societies will be the first to seek to associate themselves with the project. Such persons may be seeking allies in the strangers because they are disliked by everyone else in the village. Before local persons are employed, advice and information about local conditions should be sought from persons whom most local people trust.

iv. Operations

94. Consultants state that the way to impress villagers that improvement is possible is to undertake improvements in answer to felt needs as soon as possible. Some informants state that it is justifiable to do things for villagers at this stage. Others state that even first improvements should be limited to those in which local people do part of the work themselves.

95. Innovations or improvements attempted at this early stage should be ones of proven effectiveness in local conditions and ones which will produce speedy and visible results. Mistakes at this stage may make ultimate success impossible. Improvements or innovations attempted in early stages should involve little or no risk for the local people affected.

96. Toward the end of the first stage it is desirable to add one other criterion in the selection of felt needs for action: the felt need should also be strategic — a spearhead which may open the way to other types of improvement. An example is an improvement which will increase the income of a farmer, lessening his sense of futility and enabling him to purchase improved seed. In areas where many people are landless, the introduction of poultry is a strategic starting point; another is kitchen-gardening. Where people own their own land, cattle-breeding programs may be good starters.

v. Slow Start

97. Beginning a program in this way takes longer than early full-scale operation. Consultants with experience in this field state, however, that a slow start is a necessary preliminary to later acceleration which will outstrip

programs begun without such preparations. They are sure that a slow start will produce more lasting results. One consultant reports that his agency operated two similar programs in two different areas. In one, U. S. personnel were used for all posts and a quick start was made. In the other, indigenous personnel were selected and trained. It took some time before they fully absorbed the idea of the program and its methods. Two years later, however, the second program had overhauled the first, and at present the second program is much more successful.

E. Operating Methods: The Second Stage

98. The objectives of the second stage include: introducing more important and long-run innovations; creating community participation; developing local leadership; and maintaining a high sense of participation and good morale among project workers.

99. There is less to be said about the methods employed in the second stage in a brief report although most of the work of the project will probably be accomplished during this time. If the first stage has succeeded, the local people are more receptive to innovations. Their fatalism has been replaced to some extent. They may have more income and greater ability to take what to them are risks. Lengthening acquaintance and experience of success has probably developed greater trust in project personnel.

100. In many projects the scope of work undertaken is broadened in the second stage. A multidisciplinary attack may be made on the vicious circle of low yield, sickness and illiteracy. Home economists or women's programs may be added.

i. Community Participation

101. Perhaps the most important work in this stage is the relatively intangible task of increasing community participation in the total improvement program and developing self-confidence and local leadership. Meetings, entertainments, tours to visit other village projects or agricultural demonstration areas may be undertaken. An effort is made to encourage local people to accept small leadership responsibilities which otherwise would have to be carried out by project personnel.

102. Projects may be undertaken that call for the participation of large numbers of villagers. In the Etawah program in India, road-building was an effort of this sort. In other projects, drainage or the construction of a village building are efforts of similar scale. An important part of such undertakings is the use of local committees to see to the maintenance of whatever has been achieved.

ii. Team Morale

103. Maintaining morale and a high sense of participation among project workers is also an important objective. The way project workers feel and the way they are treated by superiors will affect the manner in which they approach village people. Project administrators must practice within the project staff what they expect their village-level workers to practice outside. Recognition of merit by promotion is an important element in maintaining morale among indigenous personnel. More important, according to consultants, is backing up team members when they request help and with the equipment and supplies that they need. Most important of all is taking all project workers into frequent consultation in the planning of activities. The project leaders should set

personal examples of continued dedication and willingness to learn from mistakes. Apart from its intrinsic value, such behavior encourages frankness and profitable self-criticism in the rest of the team.

iii. Resistances

104. As it expands its work in the second stage, the project is apt to run into hard-core resistances. If care has been taken, the early resistances caused by suspicion, fatalism and lack of economic ability to undertake risks may have been greatly lessened. Resistances in the second stage are apt to come from landlords or from local officials or specialists who feel overshadowed by the effective work of the project. Experienced consultants have learned to anticipate some of these resistances by securing the co-operation of local officials, school teachers, government agricultural extension workers and similar persons beforehand. An informant with African experience started a public sowing of improved seed in a demonstration plot with the equally public assistance of the medicine man. He had arranged in advance that they should combine their respective magics and credit was shared by both.

F. Operating Methods: The Third Stage

105. The third stage of operations includes gradual withdrawal of foreign personnel by the sponsoring agency as local leadership develops and as indigenous assistants are promoted to project leadership. A final objective is turning over the project completely to indigenous people and integrating it with governmental or other indigenous institutions.⁵

106. Consultants agree that identifying the right time to turn over the project is a most difficult question of judgment. Key determining factors are the spirit of self-help in the villagers as a whole, the maturity of local leadership and of potential project administrators and the existence of a suitable institution or organization to which the project can be turned over so that it can receive continued support. The first two factors are intangibles that cannot easily be measured.

107. Finding a group to assume responsibility for the support of the project once the foreign agency departs usually requires much advance preparation. There appear to be three alternatives: the indigenous government, some local committee or co-operative organization, or some large non-governmental institution. Whatever the choice, to induce the organization to assume the responsibility calls for early effort. If it is hoped at the outset ultimately to embed the project in the indigenous government, consultants state that it is wise to confer with government officials before the project is organized about its ultimate place and how it might best serve national needs. In this way an early sense of participation and friendliness may be achieved. During the second stage, a continuing effort should be made to convince Ministers and officials of the value of the project. Facts and figures that show how much more the project has added to the national income than it has cost to operate may be convincing. Inviting Ministers and officials to visit the project and give advice is another useful method.

V. EVALUATION

A. Purposes

108. Almost all consultants assert the usefulness of evaluation; few are

(5) See also Section I B viii, paragraph 30.

satisfied that they have perfected adequate sets of criteria and adequate techniques. Not all consultants report that their agencies conduct systematic evaluations.

109. The purpose of evaluation affects the choice of criteria and methods. One purpose may be to justify further appropriations or extension of programs. A second purpose may be to improve on-going technical assistance programs. Some consultants state that evaluations made for the first purpose are seldom of value for the second. Only evaluation for the purpose of improving on-going programs is discussed here. Even within this category, evaluation may vary in scope from ascertaining the long-term consequences of a program to assessing the effectiveness of a particular operating method in relation to its cost.

B. Criteria

110. Many consultants state frankly that preparing a full, systematic list of criteria to be used in thoroughly evaluating technical assistance programs is too staggering and complex a task for them to attempt.

111. Consultants who articulate the tangible and intangible goals of their projects (see paragraphs 8 to 10 above) state that suitable working criteria for evaluation are the varying degrees to which these goals have been achieved.

112. Even these consultants admit, however, that a complete evaluation should be concerned with long-term consequences not usually considered in project goals. One consultant with 40 years' experience cites this example: In his judgment, technical assistance has benefited the people in his area in many ways. However, technical assistance has been one force, among others, which, in the process of creating better economic and social living conditions, has largely destroyed attitudes stressing genuine courtesy, consideration and open demonstrations of affection for friends and neighbors. This consultant states that this negative result could not have been anticipated 30 or 40 years ago, but that it makes life much less rewarding for the common people in this area today.

C. Methods

113. Several consultants state that a prerequisite for successful evaluation is to know and record the conditions existing before the project begins.

114. Consultants state that data for evaluation are usually obtained by agencies from regular and special reports from the field, supplemented by visits or inspections. Many consultants state that field reports are of limited usefulness. Much depends on the person writing them. Daily diaries, which some organizations ask overseas personnel to send home each week, may give a good notion of the progress and difficulties of the project, but do not provide information adequate for evaluation.

115. Many consultants use statistics to indicate what progress has been made, particularly in attaining tangible or quantifiable goals. A few consultants have made efforts to quantify social accomplishments such as the development of community solidarity or enthusiasm for the project. Attendance of villagers at evening classes, entertainments or committee meetings are some of the indexes used. Comparing the tangible progress of programs in different localities may give a rough and relative quantitative comparison of social accomplishments and resistances.

116. Most consultants state that on-the-spot visits are the best way to obtain sufficient data for thorough evaluation. Some consultants state that their

agencies make it a policy to see that every one of their overseas personnel is visited every two to five years by someone from central or regional headquarters.

117. Several consultants question the value of brief visits or inspections. If projects are to be thoroughly evaluated, it is necessary that the inspecting person spend at least a week in the locality in order to observe the work, to talk with local people and to see how project personnel get along with the people and with one another.

118. Several consultants state that their agencies use small evaluation teams. One such agency makes systematic efforts to evaluate the social as well as the economic consequences of programs by interviewing regularly a few families initially chosen at random from the families in the area of the project.

119. One consultant states that evaluation should be carried out, wherever possible, by neutral persons not operationally involved in the project either in the field or at headquarters. He states that one must allow for the possibility that poorly selected, inadequate project personnel may put on a special show for visitors; therefore one should try to arrive with as little advance warning as is courteous.

120. Several consultants state that evaluation of on-going projects by the members of the project team can be encouraged and aided by setting targets on a yearly or shorter basis.

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TECHNICAL ASSISTANCE AND THE POLITICAL INSTABILITY OF LATIN AMERICA*

Today many "North Americans" who know little else about Latin America say that it is an area famous for its revolutions. Indeed, the Brazilian Emperor Dom Pedro II observed, when he visited the United States in 1876, that several of the Latin American countries had more revolutions per minute than many of the new machines he saw displayed at the Philadelphia exposition. What is the nature of political instability in Latin America? How does this phenomenon affect technical assistance programs?

The term "revolution" is frequently used loosely and inaccurately, especially with reference to Latin America. It therefore seems advisable, in the interest of precision, to divide the so-called Latin American "revolutions" into three categories. These three groups are labeled, quite arbitrarily, (1) "real revolutions," (2) "anti-foreign revolutions," and (3) "typical Latin American revolutions." This classificatory system has especial relevance to the political problems of technical assistance programs in Latin America.

"Real Revolutions"

Revolutions have been variously defined by social scientists who have studied them. Most of these scholars would probably agree, however, that in a "real revolution" as they understand it "a major change in the political order — not merely a shift in the personnel of the government or a reorientation of its concrete policies — must be preceded or accompanied by a drastic change in the relation among the different groups and classes in society. Thus a recasting of the social order is . . . a far more important characteristic of [real] revolution than a change of the political constitution or the use of violence in the attainment of this end."¹

Concern over the possibility of the interruption of a technical assistance program by a "real revolution" in Latin America is largely irrelevant. If the area is famous for its revolutions, very few of these have been "real revolutions." Perhaps the political separation, more than a century ago, of Latin America from Spain, Portugal, and France was a "real revolution." The celebrated wind that swept Mexico during the past generation belongs in this category. Some future historians may argue that the Perón revolution in Argentina was a "real revolution." But the point is that "real revolutions" are at least as rare in Latin America as they are in other areas of the world. If another "real revolution" is indeed unleashed in this hemisphere, that development would be of sufficient moment to justify its analysis as a unique problem.

"Real Revolution" in Mexico.

Contemporary Latin America's major "real revolution" which presents a

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(1) Alfred Meusel, "Revolution and Counter-Revolution," Encyclopaedia of the Social Sciences (New York, 1937), VII, 367.

problem for technical assistance is to be found in Mexico. That upheaval, still in process in the country, may be dated from 1910, when Francisco Ignacio Madero raised the standard of revolt. Throughout the preceding generation — that is, from 1877 — Mexico had been governed in dictatorial fashion by General Porfirio Díaz. The chief socio-political characteristics of the country, as they took shape during the Díaz era, were four in number. (1) A very small percentage of the country's population owned a very large percentage of the land. A wealthy landed aristocracy was entrenched during the Díaz regime. On the eve of the Madero revolution, about 70 per cent of the land surface of Mexico was owned by approximately one per cent of the country's population. This progressive concentration of land holdings took place during the Díaz era largely at the expense of the lower classes of the country, with many Indian communities being deprived of their lands. (2) The economic and political power of the Roman Catholic Church grew measurably in the Mexico of Porfirio Díaz. Religious toleration was abolished in the country, the Church became a major landowner, and religious tithes emerged as a stable feature of the Mexican tax structure. (3) The lower classes of Mexico — largely Indians and mestizos — suffered increased economic and cultural hardships. Many of these people, as has been noted, lost their landholdings during the Díaz period. Moreover, the labor system of the time encouraged growing abuses of peonage, to the extent that the condition of Mexican labor under Díaz attracted international attention. Further, opportunities for formal education of the lower classes were restricted, and literacy moved toward becoming a virtual monopoly of the upper classes of Mexico. (4) Foreign capital came to play an expanding role in the development of the economy and natural resources of Mexico. Encouraged by Díaz in these ventures, foreign capital — largely from the United States — acquired extensive holdings in oil, railroads, and other sectors of the economy of Mexico.

The "real revolution" launched by Madero attacked the Díaz regime on all four points. While it is probably true that Madero himself did not expect his movement to develop such large and fundamental proportions, he fell from power shortly after the overthrow of Díaz, and revolutionary Mexico embarked upon a generation of largely unco-ordinated changes. These transformations were aimed at the land system, the position of the Church, the condition of the lower classes, and the role of foreign capital in Mexico. Indeed, a species of "Mexican mind" — that is, a peculiarly Mexican way of evaluating social and political questions — has emerged in the country.

This "Mexican mind" of the revolution relates to technical assistance in at least three ways. (1) It is believed that, through the revolution, Mexico has advanced to a position of expanded leadership among the states of Latin America. The "real revolution," it is argued, has provided solutions to many of the problems still faced in the other countries of the hemisphere, where land-ownership, the position of the Church, the condition of the lower classes, and the role of foreign capital remain major issues. Mexico, the "mind" of the revolution holds, is providing solutions for the entire hemisphere. As the source of these solutions, revolutionary Mexico must play the international role commensurate with a leader in the hemisphere. This position of leadership, it is felt, is vitiated when Mexico accepts help — technical assistance, Point IV aid — from outside. Leaders must be at the giving rather than the receiving end of technical assistance, argues the "Mexican mind"; and this point of view colors much of the Mexican approach to technical assistance from the United States. One Mexican government official has put the matter thus: "Mexico must decide whether to be Pan-Americanist or Latin-Americanist." The first of these positions leans on the United States and runs counter to the revolu-

tionary "mind"; the latter furthers Mexico's position of hemisphere leadership, and carries the "real revolution" forward. Thus, in technical assistance, revolutionary Mexico has exhibited a tendency toward reluctance in dealing with the United States. Where Mexico does engage in such projects with her northern neighbor, the revolutionary "mind" attempts to hold public United States technical assistance to a minimum, and to operate through private firms and research institutions such as the Armour and Rockefeller Foundations.

(2) A measure of "anti-gringoism" lurks in a corner of the "Mexican mind." One of the characteristics of the Díaz period against which the revolution was directed, it will be remembered, was the large role exercised in the Mexican economy by foreign capital. Much of this capital came from the United States, and street slogans expressing hostility toward the "Yankee imperialists" have left their impression on the revolutionary "mind." Many Mexicans regard technical assistance from the United States as a disguised form of imperialism. And many Mexican politicians and government officials are haunted by the ghost of Díaz. To invite the capitalists in again, to accept technical assistance from the United States, avers the "Mexican mind," might well be to undo the revolution, even to betray it. In the political ambiente or atmosphere of revolutionary Mexico, candidates for public office must appear to be anti-gringo if they entertain serious hopes of electoral victory. Recent Mexican political history is replete with cases in point. In the presidential election of 1946, Ezequiel Padilla went down in defeat on the issue of anti-gringoism. Padilla, who had been foreign minister in the cabinet of President Manuel Avila Camacho, had conducted a foreign policy based on close co-operation with the United States. His political opponents charged that he had sold out Mexican to "Yankee" interests, and knew of no worse epithet to hurl at him than to call him "Mister" Padilla. On the other hand, the successful candidate for the presidency, Miguel Alemán, could boast that he had been an attorney for the Mexican government during the litigation leading to the expropriation of oil lands held by "Yankee" companies. Alemán campaigned successfully on a platform characterized by what was called true Mexicanidad. Again, in the presidential campaign of 1952, the successful candidate, Adolfo Ruiz Cortines, experienced some anxious moments when his enemies discovered that he had collaborated with the "Yankee" invaders during the occupation of Vera Cruz by the United States Marines. To the "Mexican mind" it is a species of slander to be accused of close friendship for the "Colossus of the North." And potential slander sleeps beneath acceptance of technical assistance from the United States.

(3) The Mexican revolution was a "real revolution." In a "real revolution," according to the "Mexican mind," fundamental and sweeping changes occur rapidly. It is in a measure true that vast and swift social, political, and economic transformations have occurred in Mexico in the years since the fall of Porfirio Díaz. Perhaps the "Mexican mind" is exaggerating when it maintains that so much is happening so fast in revolutionary Mexico that technical assistance cannot keep up with the country, that aid programs are not imaginative, not creative, enough to keep pace with the curious wind that is sweeping Mexico. Perhaps all this is exaggeration. But exaggeration is a matter of degree. Much has happened — and much continues to happen — in revolutionary Mexico. And the pace of the revolution presents a serious challenge to the framers of aid projects. These must be sufficiently flexible, these must be sufficiently imaginative, to keep up with Mexicanidad. The "North American" technical assistance administrator who entertains the stereotype of the Mexican peon sleeping under a tree protecting him from the mid-day

sun would do well to remember that in a sense the siesta ended with the fall of Díaz. Technical assistance might profit from acculturation, to be sure; but it should also take a lesson from the "Mexican mind" when it asks which side of the Rio Grande is more fast-moving and creative.²

"Anti-Foreign Revolutions"

The "anti-foreign revolution" may be defined as a change of government bringing to power a group with a program which opposes selected brands of foreign influence in the affected country. This type of revolution may or may not — more frequently the latter — involve a change in the social order. The distinguishing characteristic of the "anti-foreign revolution" is the integral role which anti-foreignism plays in the program of the revolutionary government. Technical assistance originating from abroad may be associated with the rejected foreign influence. The new government may be unable to accept some forms of such assistance without being branded as a traitor to its own revolution. The "anti-foreign revolution" is a much more common occurrence in Latin America than the "real revolution." President Víctor Paz Estenssoro's current government in Bolivia embraces much of the anti-foreign program of the government party, the Movimiento Nacionalista Revolucionario. Since 1944, revolutionary Guatemala has moved increasingly in the direction of anti-foreignism.

A Case Study in "Anti-Foreign Revolution": Guatemala.

Most Guatemalans agree that 1944 was a significant year in the development of their country. In the course of considerable violence, a military dictator fell from power. He was General Jorge Ubico, who had ruled Guatemala for fourteen years following his assumption of authority in 1930.

Supporters of the present Guatemalan government put the matter somewhat as follows. The objective of the revolution of 1944 was the liquidation of oppression. This oppression stood on two legs, one political, the other economic. The revolution, unable to cripple both legs simultaneously, moved in two successive phases, the first political, the second economic. The political phase was symbolized by the administration of President Juan José Arévalo (1945-1950). His mission was to liquidate the machinery of the old Ubico dictatorship. During Arévalo's stewardship, a new constitution was written and promulgated, political parties were legalized and permitted to function, and a relatively free press emerged. Thus the political phase.

The economic phase of the revolution fell to President Jacobo Arbenz Guzmán, who was inaugurated early in 1951 and is in office at present. His administration has been concerned with such matters as agrarian reform and the containment of what he calls the "foreign monopolies" operating in Guatemala. The latter are symbolized by the United Fruit Company, a United States corporation which has come to be a convenient scapegoat in revolutionary Guatemala. Each phase of the revolution has had its symbol. The stereotype for the Arévalo — or political — phase of the revolution was Ubico; United Fruit has become the whipping-boy for the Arbenz — or economic — phase. For Guatemalans who do not like to think in abstractions, the two phases seem more concrete when they are given proper names — the first Ubico, the sec-

(2) The reader may wish to consult Patrick Romanell, The Making of the Mexican Mind (Norman, 1952), and Tomme Clark Call, The Mexican Venture (New York, 1953).

and the United Fruit Company. It is explained that both occurred together and that Guatemala will not be free until both have been consigned to history. While it is true that the fruit company operated in Guatemala long before Ubico's appearance on the national scene, the two are nevertheless intimately associated in the thinking of the present government of Guatemala.

Against this background, the political ambiente of contemporary Guatemala exhibits three features of significance for technical assistance. (1) An historic, and somewhat traditional, antipathy toward, and distrust of, the United States has been intensified by the revolution of 1944. In technical assistance, this anti-"Yankee" orientation is reflected by the Guatemalan government's preference to deal with international organizations rather than with the United States. Thus, in mid-1953, when "North American" programs were in the process of diminution, there were no fewer than thirteen United Nations programs operating in Guatemala. Foreign personnel associated with these projects enjoyed full diplomatic privileges in the country, a status which Guatemala had not granted to the personnel of the technical assistance programs of the United States. (2) An expanded Guatemalan nationalism has accompanied the revolution. "We would like to begin making our own mistakes," a government official declared in Guatemala City; "we are tired of having the 'Yankees' make our mistakes for us."

(3) Marxist viewpoints, and some Communist activity, have acquired a place of prominence in the Arbenz phase of the revolution. It is easy to exaggerate Communist influence in Guatemala. A careful estimate would take into account the fact that post-Ubico Guatemala boasts a multi-party system. The Arbenz administration is supported by a coalition of four political parties. One of the parties in the pro-administration coalition is the admittedly Communist-oriented Labor Party of Guatemala. This party does not represent the majority of the government's supporters, and is frequently engaged in squabbles with other elements of the administration. The evidence seems conclusive that President Arbenz is not himself a Communist, although he is more friendly toward the Communists than former President Arévalo was. Despite the restricted role played in the administration by the Communists, some Marxist viewpoints are at large within the government and tend to color its view toward technical assistance offered by the United States.

That view runs somewhat as follows; What is happening in Guatemala is the product of dialectical forces. These forces overthrew Ubico, and are now engaged in redistributing the land and ejecting the "foreign monopolies" from Guatemala. What is happening in the United States is also the product of dialectical forces. "Imperialism" is the loudest word the dialecticians have for the "Yankee" side of the process, but it is not the only word. It is important to point out that, in this view, there is only one process, one dialectical force, governing United States-Guatemalan relations, although many words might be used to designate that single force. To many Guatemalan officials, all of the following words mean the same thing — imperialism, the United Fruit Company, technical assistance, Point IV, the United States. All signify the economic oppression of Guatemala, all were Ubico's dialectical comrades. "When the United States talks," a Guatemalan government official has said, "it talks with the voice of the fruit company."

Against this background, technical assistance from the United States has not met with anything resembling a cordial welcome in revolutionary Guatemala. In mid-1953, there were three "Yankee" public technical assistance projects in operation in the country. It is significant that all three had been begun before the revolution of 1944, and that since that date the Guatemalan

government has refused to enter into any agreement with the United States for additional programs. All three of the presently existing projects are being allowed to run until the expiration of their contracted time, and renewal is not expected in any of the cases. The first of them is a health program which is to be terminated when the Roosevelt Hospital is completed. The other two are a rubber development and an agricultural project, both of which were launched during World War II. Although none of these projects receives much publicity in Guatemala today, all appear to be well-liked by the Guatemalans associated with them. There appears to be no immediate prospect for the expansion of United States technical assistance in Guatemala. The government of Guatemala has refused to request additional aid, and the United States has not attempted to force it on the Guatemalans.

"Typical Latin American Revolutions"

The United States Department of State is frequently — sometimes as often as four times in one year — faced with the problem of recognizing a new revolutionary regime in Latin America. Most of these situations spring from what are here called "typical Latin American revolutions." These may be defined simply as unconstitutional changes in government, accomplished with or without violence. They normally do not affect the social order or the structure of society in the affected country in a fundamental way. Moreover, the governments they bring to power usually do not possess programs or platforms directed against technical assistance of foreign origin. Ecuador, Peru, and Paraguay have been "classic" locales for this type of revolution, which is also common in some of the Central American states and in Haiti. Normally, the "typical" revolution does not hinder or obstruct technical assistance programs, especially those conducted through servicios. By mid-1953, the agricultural servicio in Peru had seen thirteen different ministers of agriculture and a "typical" revolution: none of these changes seriously affected the agricultural program. In Paraguay, as of the same time, there had been a dozen revolutions, one full-scale civil war, and no fewer than twenty-seven ministers of agriculture in the decade of the agricultural servicio. None of these disturbances seriously obstructed or retarded its work.

In the "typical Latin American revolution," social conditions in the country involved remain fundamentally unchanged. Where the social structure is characterized by a three-level class system, the basic positions of, and the relations among, these classes are unaltered by the revolution. The lower classes — mestizos, cholos, montuvios, Indians — remain the lower classes; the upper class — usually called criollos or "whites" — is still the upper class. Normally, the lower classes take no active part in the "typical Latin American revolution," which is the immediate work of the upper class alone. This type of revolution is usually an expression of an intra-class struggle within the upper class, with the "whites" normally divided among themselves along generally recognized principles of division. The lower classes are essentially uninfluenced by these schisms, which often provide the basis for the organization of political parties as instruments for the political activity of the upper class.

Technical Assistance and Revolution

The question of "real revolution" runs to the core of a central problem in technical assistance. This question should be raised and squarely faced.

Presumably, a given country may not be regarded as a candidate for technical assistance unless that country is also regarded as "underdeveloped." It

may also be presumed that a given technical assistance program might logically be terminated when the recipient country is no longer "underdeveloped," and that a purpose or function of technical assistance is to aid the transition to an "advanced" status.

This is not the place to define "underdeveloped" and "advanced." Nevertheless, it is appropriate to raise here the question of whether a country undergoes a "real revolution" in moving from an "underdeveloped" to an "advanced" condition. It will be remembered that a "real revolution" involves "a drastic change in the relation among the different groups and classes in society" and a "recasting of the social order." Do these alterations necessarily occur in a country during the transition from an "underdeveloped" to an "advanced" condition?

If it be assumed that the term "underdeveloped" refers only to a low standard of living in a country, and "advanced" to a high one, then it is logically possible for a given country to move from one of these conditions to the other without undergoing a "real revolution." But one would be well-advised to take note that, while this is logically possible, it is not probable. The greater probability is that some redistribution of material benefits would accompany a significant rise in the standard of living. The transition from an "underdeveloped" to an "advanced" condition is very likely to alter a people's way of life. It may lead to a recasting of the social order, a change in the culture. And these alterations may be expressed through a "real revolution." It may well be true that technical assistance contributes to and hastens "real revolutions" in "underdeveloped" countries. The technical assistance administrator should be prepared to meet this issue. When the "real revolutions" at length occur, he should know whether he is willing to accept his share of the congratulations for the role played by technical assistance in bringing "real revolution" to the peoples of Latin America.

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AN EXAMINATION OF POTENTIAL LONG-RUN INDUSTRIAL DEVELOPMENT OF INDIA AND CHINA¹

This article is an attempt to apply one aspect of the theory of international trade to the problem of the industrialization of India and China. First, the problem of industrial development in the two countries will be presented. Next, an attempt will be made to see where the comparative advantage of the two countries may be expected to lie. Finally, models of industrial growth will be set up under various assumptions. Discussion is in terms of long-run goals and possibilities, and major short-term questions of capital supply, efficient labor force, and the like have not been treated. The major problem of population growth which is a closely related part of the entire question of industrialization must be left for another article, even though it is unavoidably mentioned.

I. A Statement of the Problem

The major fact upon which any discussion of the industrialization of India² and China must be based is the present, and the enormous potential, economic size of the two countries, as measured by their total population. In 1940 it was estimated that the combined population of these two countries was about 725 million people — over one-third of the world's population.³

In 1929 the approximately 65-70 million people engaged in manufacturing in the leading industrial nations of the world produced about 90 per cent of the world's manufactured goods. On an average 45 per cent of a country's population is productively employed. In Western industrialized countries about one-third of these are in manufacturing; in Japan only 20 per cent; and under the Bombay Plan for India it was hoped to so employ 25 per cent of those occupied. At the smallest of these percentages, 70 million workers in India and China would be engaged in manufacturing; at the highest 120 million. Either total is at least as great as the entire population of the world engaged in manufacturing in 1929.⁴

If this industrial growth should take place at very low levels of per capita productivity such large numbers of workers might be employed, but it is doubtful whether a significant improvement in per capita real incomes would occur. The economic production in the two countries would be limited prob-

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- (1) This article is a revised version of a chapter from a doctoral dissertation submitted to, and accepted by, Princeton University in 1949. It owes most to the constant criticism and guidance of the late Professor Frank D. Graham. His assistance and criticism were always made available generously and without stint.
 - (2) India is defined as the present India after partition, and the discussion in this paper and the factual presentation are confined to that country. It does not include Pakistan, a country many of whose problems are of a different character. Nevertheless, many of the industrial figures for India, especially those before 1949, include Pakistan. Where this is the case, it is made clear in the text. Since India received most of the industrial plants in the partition, the resultant distortion is small.
 - (3) Cf. Footnote 8 below.
 - (4) Cf. League of Nations, Industrialization and Foreign Trade, 11, 13, 20, 26; Ta Chen, Population in Modern China, 117.

ably to only a few fields of manufacturing where the low labor cost outweighed its very low productivity. For this reason a level of productivity comparable to that in Japanese manufacturing in about 1935⁵ (one third that of the United States) will be assumed.

Given this assumption, a wide diversification of output is required.⁶ If the bulk of the goods are used domestically diversification would be necessary to meet the greatly varied needs of the population. If a large proportion of the product is exported widespread diversification would also prove necessary to avoid a highly unfavorable movement in price (which would be the result of specialization in a strictly limited range of products by such a large economic unit). But diversification might soon exhaust the list of products in which India and China might have a substantial comparative advantage, and hence gains from trade would probably be inconsiderable.

If the bulk of the output is consumed domestically there will be little effect on the terms of trade (provided that sufficient raw materials and foodstuffs can be produced internally.) This situation requires a very large domestic market for industrial goods, which, in turn, presupposes some margin above subsistence for the population. At present this margin does not exist for the mass of the people, although it may for a small part of them. An initial stimulus to manufacturing might be provided by this sector, especially if this group, though proportionately small, is large in absolute numbers. This in turn could conceivably lead to a still wider demand for industrial products.

If at the same time it were possible to expand agricultural and mineral output at a faster rate than the rise in population, the creation of a margin above subsistence for the large numbers in those fields might result in a still greater internal demand for domestic industrial goods. To this might be added a limited expansion of manufacturing for export to take advantage of any comparative advantage.

The interaction of these three forces might eventually result in a manufacturing industry which would employ a large part of the population, and which would result in higher average incomes. However, it is doubtful whether India and China would be able to meet the greatly increased demand for food internally, except at a sharp rise in the cost of foodstuffs, if population continued to increase at pre-1940 rates; and if the higher per capita incomes from industrialization led to demands for more and better foods. Under these circumstances, until the cost of imports equalled that of domestically produced foodstuffs, additional food supplies would be acquired mainly from abroad in exchange for manufactured exports. In the long run it is unlikely that the increased imports of raw products from other countries of the world could continue without a marked rise in the cost of those goods in the countries producing them. This would result in a shift in the terms of trade more favorable to agricultural products as against manufactures (disregarding mineral products).

In the short run, it is barely possible that a widespread industrial program would stabilize the population at a level lower than estimated. To this end an industrial program would, of necessity, have to be large-scale, affecting a very large proportion of the population, and would have to be achieved

(5) Cf. Footnote 22 below.

(6) A basic assumption of this article is that there will be no such revolutionary change in techniques of agriculture or industry that would provide an at present scarcely foreseeable abundance.

quickly. Since present Sino-Indian per capita incomes are very low, this would mean that the bulk of the manufactured goods produced by such a program probably would have to be sold abroad. The probable result of this would be a sharp fall in the prices of manufactured goods offered on the world market, and the initial gain derived from industrialization would be very small.

The basic predicament of Sino-Indian industrialization may be expressed in the following propositions which state the theme of our inquiry.

a) An initially small expansion of industry designed to take advantage of existing terms of trade and to meet internal demand at present, or slightly higher, per capita incomes, would probably have only a minor effect upon the well-being and the rate of growth of that population. If this expansion is at very low levels of productivity many workers might be employed but per capita gains would be negligible. At much higher levels of productivity only a small proportion of the population would be employed in manufacturing, and any gains that occurred would either be limited to that sector; or eventually generally dispersed among the entire population. In either case average per capita gain would be small. If such a program were combined with, or preceded by, a widespread program of greater per capita and per acre agricultural and mineral productivity it would affect a larger proportion of the population and rise in incomes might be greater. Such a program together with an educational effort aimed at achieving birth control, especially in rural areas, might result in a diminished rate of population growth, and permanent higher incomes. Without widespread urbanization this latter event is unlikely, although not impossible.

b) A large and widespread industrial program rapidly carried out under present conditions would probably have an adverse effect upon the terms of trade for manufactured products, if the bulk of the output is exported. This would reduce or eliminate any initial gains that might be achieved by a limited industrial expansion based upon present comparative advantage. But such a large-scale growth with consequent rapid urbanization might have a drastic restraining effect upon the birth-rate.

c) Regardless of the degree of industrialization births must either be held down by preventive checks, or the large prospective increase in population numbers would swamp any initial per capita gains in incomes. In the latter case the Malthusian positive checks would probably operate, as they do now, to keep the population down to the mere subsistence level.

d) If a large-scale program of rapid industrialization were coupled with a program of improving agricultural and mineral productivity, and widespread education, it would most likely only be achieved by a strong central government, willing and able to take all necessary steps to mobilize labor and capital, and possibly change social and religious customs. Any such program would face serious economic, political and social difficulties.

Under any program, it seems reasonable to postulate an eventual wide range of industrial development centering in those fields where labor is a major cost element. Initially the development would probably occur in the textile, domestic raw-material processing, and light consumer goods industries; and in certain fields, such as railroad transportation and chemicals, which seem usually to accompany any industrial advance. Later, or perhaps simultaneously, it might extend to such industries as iron and steel and their products, rubber goods, and even motor cars;⁷ these industries require somewhat less la-

(7) The "Supplement on National Income," of the Survey of Current Business

bor per unit of output, and call for large amounts of capital and a higher degree of technical competence. If Sino-Indian industry is to be widely diversified to avoid a drastic fall in price of any one, or small group of commodities, some expansion of heavy industry might prove economical; at the same time this might prove desirable if a large proportion of the population is to be employed in manufacturing.

II. Factual Analysis of the Problem

The basic characteristic of the existing economy of China and India is the great pressure of the population upon the land.⁸ In China the population is estimated at 400 million, total land area (excluding Mongolia, Tibet and Manchuria) is 1.4 million square miles, and density averages about 285 people per square mile. In India a population of about 325 million (according to accurate 1941 census data) living on a land area of about 1.2 million square miles averages somewhat more than 260 people per square mile. Neither of these density figures as such is alarmingly high, since they are exceeded in Japan, Belgium, England and Wales, Holland, Germany, Italy and other countries, all of which also have much higher per capita incomes. In India and China however, more than 70 per cent of the population derives its income from agriculture, whereas, in Western Europe and Japan high densities and high incomes are made possible by industrialization and the exchange of manufactured products for foodstuffs.

In both countries the major agricultural products are subsistence crops. Over three-fourths of the cultivated area is devoted to cereals of various types — rice and wheat in particular. The cereals, because of their economy of caloric production, supply from 80-90 per cent of the average caloric intake per person in both countries.⁹

Only a very limited acreage in the two countries is devoted to cash crops.¹⁰

(July 1947), 26-27, computes that wages and salaries represented more than 80 per cent of the "national income by industrial origin" in the leather products, textiles, clothing, furniture, lumber, paper, rubber products, and iron and steel industries. These might be considered industries which countries with a large amount of labor per unit of land would have some comparative advantage.

- (8) Cf. Ta Chen, *op. cit.*, 3-6; K. Pelzer, *Population and Land Utilization in the Pacific Area*, 32-33, 110-11; W. S. Thompson, *Population and Peace in the Pacific*, 177-79; L. J. Buck, *Land Utilization in China*, K. Davis, "Demographic Fact and Policy," in *Millbank Memorial Fund Studies* (1944), 35-36, and *The Population of India and Pakistan*, Chap. III; R. Pearl, *National History of Population*, 272; S. Chandrasekhar, *India's Population*, 33-34.
- (9) Cf. "Wheat in National Diets," in *Stanford University Wheat Studies*, 60-63; D. Ghosh, *Pressure of Population and Economic Efficiency in India*, 51-57; K. Pelzer, *op. cit.*, 102-3, 105-7; Wickizer and Bennett, *The Rice Economy of Monsoon Asia*, 202-7, 221-22, 226-28.
- (10) L. J. Buck, *op. cit.*, 11; Tsang, *China's Postwar Markets*, 129-31; U. S. Department of Commerce, *Foreign Commerce Yearbook*, 1939, 245-46, 248-49, 256; ILO, *The World Textile Industry*, I, 69, 99-101; "India as a Producer and Exporter of Wheat," in *Stanford University Wheat Studies*, III, 380-81, 393-94.

Cotton is the third major crop (primarily for the domestic textile industry). In China other cash crops are tobacco, silk, tea, opium, soybeans, oil-bearing seeds, eggs and hides. In India tea, various nuts and oils, and raw jute are other major cash crops. China supplements these crops by export of minerals — tin, antimony and tungsten; while India exports pig-iron, cotton cloth and piece goods, and jute products. India, at one time a wheat exporter, has now become a large cereal importer.

None of these cash products is analogous to silk in the Japanese economy.¹¹ For none is there such an intense or potentially increasing foreign demand as there was for silk in the early stages of Japan's industrialization. Nor does any of them have such a widespread effect on the economies of the two countries; while the size of the Sino-Indian population would in any case make such importance unlikely. The value of British India's three major exports in 1927-29, which made up 37 per cent of its total exports, was only about 2 per cent of the value of the country's total output; for China the three major exports equalled 20 per cent of the total exports, and only about one to two per cent of the total output (very roughly estimated).¹² These figures contrast with the importance of silk exports alone to the Japanese economy in 1927-29, when they represented 45 per cent of the total exports, and 5 per cent of the national income.

In such circumstances the margin above subsistence which might be available for purchase of industrial products is small. It has been reported that in China in 1933 approximately 90 per cent of the families were living at subsistence levels; and the consumption expenditures for food alone amounted to 47 per cent of total national income, while expenditures for minimum food, clothing, fuel, light and housing were 75 per cent of the national income. In British India in 1931-32 expenditures on food alone were almost 40 per cent of the national income.

(In the United States in 1940 food expenditures were only about 23 per cent of total expenditures, and much of this was for "luxury" foods.)¹³

Estimates of per capita incomes of the people of India and China vary, with the highest placing them at one-sixth and one-tenth respectively of the pre-war United States figure of \$589 per year, while the lowest estimates them at from one-twentieth to one-thirtieth of the United States figure.¹⁴

In spite of this mass poverty, the distribution of wealth may be sufficiently

- (11) T. C. Chang, "International Comparison of the Demand for Imports," Review of Economic Statistics (Vol. XIII, No. 2), 48; G. C. Allen, A Short Economic History of Japan, 172-79, 188; Foreign Commerce Yearbook, 1939, 245-46.
- (12) A figure of about 8 billion dollars, reached by multiplying 20 dollars per capita income by 400 million people.
- (13) Pao-San Ou, "A New Estimate of China's National Income," Journal of Political Economy (Vol. 54, No. 6), 550, 551; H. F. MacNair, China, 473-74; C. Clark, Conditions of Economic Progress, 45, 443-45; V. Rao, "National Income of India," Annals of American Academy of Political and Social Science (Vol. 223), 101, 102, 104; Dewhurst et al., America's Needs and Resources, 81, 87, 105.
- (14) C. Clark, Economics of 1960, Appendix: Dewhurst, op. cit., 531. Cf. also, Pao-San Ou, op. cit., 549; V. Rao, loc. cit., 99-105; D. Ghosh, op. cit., 29.

unequal so that there exist a large group living sufficiently above subsistence to provide for a large increase in domestic consumption of manufactured products, if internal industry were developed. (This would also probably call for some shift in patterns of consumption. For example, pre-war studies of Chinese consumption indicate that entertainment and ceremonial items, rather than manufactured goods, play a relatively large part. Poor Chinese urban families in Peiping in 1926-27 spent about 10 per cent of their income for entertainment and only 4 per cent for household items; wealthy families averaged over 20 per cent for entertainment and only 9 per cent for household and transportation equipment. In the United States in 1940 only 4.6 per cent of total consumption expenditures were for recreation, while 23 per cent were for household and transportation equipment.)¹⁵

An estimate of the distribution of income in provincial British India was made in 1924.¹⁶ Although this estimate is probably a very rough guess, the figures may be accepted as approximate, within wide limits, and similar proportions can be applied to China admitting a still wider margin of error.

TABLE I

Estimated Total Income Per Money Earner Per Year	Number of Recipients	Number of Persons Supported ¹⁷
\$30,000	6,000	30,000
3,000	230,000	1,150,000
1,500	270,000	1,350,000
300	2,500,000	12,500,000
60	35,000,000	100,000,000
15	(The remainder)	-

If an income of \$300 per family per year is considered adequate to allow some margin above subsistence, then only 15 million people in India would provide a market for manufactured goods. (Actually the \$1500 per family figure is probably better). If similar figures are presumed to hold for China, then before the war about 30 million people in both countries earned an income sufficient to give some support to a domestic manufacturing industry. This is a very small number — proportionately about 4 per cent of the total population of both countries — and absolutely it is only approximately equal to the population of pre-war Poland. If the percentages previously given for Chinese family expenditure on household and transportation equipment are applied, the total consumer expenditure on manufactured goods may be estimated to have been about 650 million dollars — an amount equal to the manufactured output of Switzerland in 1926-29. If the patterns of expenditure are computed on the basis of the United States pattern approximately 4 billion dollars would be spent for household and transportation equipment — a figure somewhat greater than the manufactured output of Italy in 1926-29.¹⁸ The last amount is probably not at-

(15) S. D. Gamble, *How Chinese Families Live in Peiping*, esp. chapters 10 and 12, 193-97, Appendix II, 335. Dewhurst, *op. cit.*, Appendix VII.

(16) S. Chandrasekhar, *India's Population*, 54.

(17) This assumes an average size family of about 4-5 people, except for below the \$60 group. As an arithmetic mean this is approximately correct in various areas of China. (Cf. T. Chen, *op. cit.*, 22-23, 86).

(18) League of Nations, *Industrialization . . .*, *op. cit.*, 25-84. India's estimated

tainable. The American percentage could probably only be reached at higher income levels and would require major changes in consumption patterns. At the same time both countries will probably continue to import goods in which they have a comparative disadvantage. Nevertheless it does indicate, as an estimate, that disregarding the effects of wartime changes, a greater internal market for domestic manufactured goods might be found assuming a pre-war income distribution. If India and China also attempted to export in those fields in which they have a latent comparative advantage at present, a further margin above subsistence might be created, especially if an industrialization program is combined with a program to raise productivity in agriculture and mining.

Let us now examine the rate of industrial development and the expansion in manufacturing output that might take place if export trade were developed to a degree that would not have serious adverse effects on international prices in those industrial lines in which India and China have a comparative advantage.

As could be expected both on theoretical and historical grounds the first major industrial advances in China and India occurred in the cotton textile industry. This development found a response in the great domestic market for textiles, even though per capita consumption of such products was very low.¹⁹ In China the number of spindles rose from 115,000 in 1890 to more than 5 million in 1930, and the number of looms increased from 1600 to 44,000. By 1935 net imports of cotton piece goods into China had disappeared. In India the number of spindles grew from 5.9 million in 1913-1914 to 10.1 million in 1939, and the number of looms from 95,000 to 220,000. The proportion of imports to total annual consumption declined steadily, and with the industry's expansion during and since the last war India has become one of the world's largest exporters of cotton goods, mainly of a coarse quality. In 1932 there were roughly 800,000 workers in the cotton textile factories of both countries combined. (This figure does not include handicraft workers. In India the rise of factories forced the return of an estimated 4 million handicraft workers to farming, although even today more than 2 million workers are engaged in handloom weaving at very low wages and under very depressed conditions.)²⁰

What are the prospects for further expansion of this industry? Given the existing level of income the outlook for expansion to meet domestic demand, apart from that caused by population growth, is slight. But if a limited degree of industrial expansion were to raise average incomes per capita consumption of textiles would presumably also be raised. (In Japan per capita consumption of cotton textiles rose by 13 per cent from 1914 to 1929.)²¹ Thus a moderate rise in income may produce a 10 per cent rise in per capita consumption of textiles in both countries. It is also possible that the two countries may replace Japan as the leading exporter of textiles, provided (1) productivity is raised to the Japanese levels,²² (2) quality standards are improved, and (3) pres-

\$28 per capita was multiplied by 325 million people totaling \$9.1 billion, and China's national income was estimated at \$8 billion; 23 per cent of \$17.1 billion is \$3.9 billion.

(19) ILO, *op. cit.*, I, 109, 124-25; 108, 123-24; 220; II, 144, 149.

(20) P. J. Thomas, "The Agrarian Situation in India," *International Labour Review*, Vol. 50, 467.

(21) ILO, *op. cit.*, I, 166, 168.

(22) In 1932 and 1936, Japanese per capita productivity in textiles was some-

ent markets for textiles remain. With these assumptions the production for export to a point equal to that of Japan, replacing Japan, would provide employment for about 350,000 additional workers. (This number is to be divided between the two countries and is equal to the number of workers in Japan's cotton textile industry in 1934.)²³ Furthermore, if a rise in domestic demand of about 35 per cent is assumed (10 per cent due to the increase in income, and 25 per cent from the anticipated population growth during the next twenty years²⁴) another 300,000 workers would be added to the industry. This assumes that employment increases proportionally with the rise in demand. The probable maximum total additional employment in the industry, under these optimistic assumptions, would thus be about 625,000 workers in both countries. In 1930-1932 the textile industry other than cotton (silk, rayon, jute and wool) employed about 500,000 workers.²⁵ If these industries experience proportional increase to cotton, about 400,000 more workers might be employed there, giving a total additional employment in all textile industries of a little over 1 million workers.

The iron and steel industry also has frequently been mentioned as offering a field for further expansion, both for economic and military reasons. Capital requirements in this industry are great. India, which received all of the pre-partition steel capacity, already has the nucleus of a thriving iron and steel industry, with what is reputed to be the world's lowest cost production of pig-iron. During the war output of steel ingots increased from about 1 million short tons in 1936 to 1.4 million in 1944.²⁶ While iron and steel production in China proper was undeveloped, in Manchuria large strides had been made under Japanese direction. In 1936 Manchuria produced 380,000 tons of steel and a target of 3.8 million tons was set for 1943; but it is unlikely that a figure greater than India's output was reached.²⁷ In 1943 approximately 170,000 workers were employed in the Indian iron and steel country.²⁸ If Manchurian employment is assumed to be equal, the total number of workers in the two countries would be about 350,000-400,000.

What are the prospects of the hoped-for expansion of the industry? As a result of industrialization some rise in domestic demand may be expected. This would arise, in part, from the greater volume of replacements needed by industries using iron and steel and machinery: railroads, the iron and steel industry itself, cotton textiles, and the engineering industries. Beyond this, the

what better than one-third that of the United States. *Ibid.*, I, 298-300.

(23) *Ibid.*, II, 151.

(24) For this article the estimate of population change given here will be accepted without discussion.

(25) ILO, *op. cit.*, II, 144, 149.

(26) C. M. White, *Iron Ore and Steel Industry*, Appendix, 10. United Nations, *Salient Features of the World Economic Situation, 1945-1947*, 76-77.

(27) H. D. Fong, *The Postwar Industrialization of China*, 88. All figures cited have been converted into short tons, unless specifically stated.

(28) The total employment in "Engineering," and "Minerals and Metals," in India for 1943 was 340,000 workers. It is assumed that half of these workers were in iron and steel and in their products. Office of the Economic Adviser, *Statistical Summary of Social and Economic Trends in India, 1945*, 5, 15.

expansion of domestic demand will depend upon further industrialization or military use, both of which demand a margin above subsistence greater than at present. If this is achieved the iron and steel industry would also grow. As it grows it will probably derive certain economies of scale, improving its competitive position relative to other countries. Let us assume that iron and steel output is doubled, because of this greater domestic output and simultaneously employment also doubled to a maximum of 800,000 workers in both countries.

It is not inconceivable that India and China would have initial comparative advantages in the export of iron and steel products, since labor is a large element in total cost, and the raw material is available. To what degree is it likely that they can develop exports for their output?²⁹ In 1936 world exports of iron and steel products amounted to 16.2 million tons (about 15 per cent of the world output). About 500,000 workers were employed in their production.

In the past the bulk of the production and export trade has been concentrated in several major areas — in 1936, the northwestern continental United States; Europe (including Germany, France, Belgium, Luxemburg and the Saar); the U.S.S.R.; Great Britain; and Japan. These major producers were also the largest exporters (except for the U.S.S.R.). The leading importers were also industrial countries — some in the list of major producers, while others were less important industrial nations. All the major producers had high tariffs. The highest duty, amounting to 30-35 per cent, prevailed in the United States (after 1930). If, moreover, the development of iron and steel industries elsewhere than in Europe or North America is ignored, it may be assumed that India and China might eventually take over the entire export of iron and steel products (totalling about 4 million tons in 1936) to Asia, Australia, South America and Africa. At a level of productivity one-third that of the United States this would employ 420,000 more workers in the industry.³⁰ It is conceivable that India and China might expand output for export beyond this point, by finding new markets at a lower price which would yet retain a slight comparative advantage. Let us assume that this would lead to the employment of still another 400,000 workers in the industry. Thus the total potential additional employment from expansion of the industry to meet both greater domestic needs and a larger volume of exports is about 1.2 million workers, under the very favorable assumptions here postulated.

The proximity of India and China to sources of natural rubber and the high proportion of labor cost in the total cost of rubber goods may also give these countries a comparative advantage in the output of rubber products.³¹ In 1929 world export of rubber goods (mainly tires) were valued at \$260 million, and

(29) For below see: U. S. Tariff Commission, *Economic Analysis of the Foreign Trade of the United States in Relation to the Tariff*, Part II, 23, 45-46; E. Hexner, *The International Steel Cartel*, 82, 249, and Appendix VII, esp. 326-27.

(30) In the United States in 1929 it required 35,000 men to produce one million tons of steel.

(31) U. S. Tariff Commission, *op. cit.*, Part II, 23, 26; L. Rostas, "Industrial Production, Productivity, and Distribution in Britain, Germany, and the United States," *Economic Journal*, Vol. 53, 44. He estimated employment in rubber goods production at one per cent of total manufacturing employment in these three countries. This figure has been applied to world employment in 1929.

in their production for export approximately 50,000 workers were employed. (The United States produced 30 per cent of world exports, providing employment for about 10,000 men.)

Limitations to Sino-Indian expansion in the output of these products are due (1) to the military importance of such goods and the consequent protection of the industry; (2) to the complementarity of automobile production and tire production, and (3) to the gradual development of synthetic rubber at a cost equal to or lower than natural rubber. These factors may be counterbalanced, in part, by the fact that many rubber products are low-cost consumer goods for which a large domestic demand would prevail in both countries. If it is optimistically assumed that India and China might capture half the world's export market for rubber products, that would mean the employment of about 75,000 workers at productivity levels one-third of the United States. If another 50,000 workers were employed in producing for the domestic market (of whom half might be producing tires), the total additional employment in the rubber goods industry would only be 125,000 men.

There are also various other industries which might expand on the basis of a larger domestic demand, as a result of further industrial development and urbanization. As non-farm consumption of food-products increases the food-processing industry will grow.³² In 1943 there were 285,000 workers employed in this industry in British India. An equal number may be assumed for China. One plan for Chinese industrial development calls for the employment of 467,000 workers in this industry. Even with a very limited industrial growth this seems a reasonable target, which will probably be at least matched in India. Thus a total of 400,000 more workers would be employed in the food-processing industry.

The chemical industry is basic for further industrialization, for military purposes, and for the output of fertilizers.³³ Continued growth of this industry is planned and may therefore be expected. Since the output of this industry will be largely for internal use and since it requires the least labor per unit of output of any of the major industrial groups, production for export by India and China is unlikely. In 1943 employment in the chemical industry in British India was 85,000 workers, and it is doubtful whether more than 50,000 persons were employed in it in China and Manchuria. Assuming a doubling of employment to meet increased demand would only result in employment of 150,000 more workers.

Growth may also be expected in the field of transportation.³⁴ Before the war British India is estimated to have had 57,000 miles of railroad; and China (excluding Manchuria) 13,820. A Chinese development plan had the target of increasing railway mileage and highway transportation to employ 250,000 additional workers annually employed in transportation and the construction of facilities. India also plans some expansion, which would probably call for 50,000 more workers. The total additional employment in transportation in both countries would then be about 300,000 workers.

(32) Office of the Economic Adviser, *Statistical Summary*, op. cit., 5; M. Ezekiel, *Toward World Prosperity*, 297.

(33) Office of the Economic Adviser, *Statistical Summary*, op. cit., 5; *Survey of Current Business* (National Income Supplement), op. cit., 26-27.

(34) United Nations, *Economic Report . . . 1945-1947*, op. cit., 81; Ezekiel, op. cit., 272-73, 297.

Expansion is conceivable in another major industry because of the high proportion which labor cost bears to total cost. Since other factors make its full development dubious it is discussed last. This is the automobile industry, which requires large accumulation of capital in any one plant and highly advanced productive techniques. Furthermore, because a car is an expensive "luxury" product, a large domestic market in the two countries is unlikely, and advantages of scale would be difficult to achieve. Finally, since the industry is of vital military importance it is highly protected and even subsidized in many countries. This means that expansion through exports seems unlikely. Still it may be assumed that India and China have a comparative advantage arising in the production of cars (due to their low labor cost), and can acquire the necessary capital and technology. In 1929 the world exports of automobiles amounted to 750,000 units which required employment of 100,000 workers.³⁵ (The United States produced 70 per cent of the total world exports.) It would be most optimistic to assume that India and China could capture approximately 25 per cent of the total world exports, i.e., markets in Asia, Africa and Australia (disregarding efforts of these areas to set up their own industries). At a level of productivity one third that in the United States, 75,000 workers would be employed in India and China in the production of these exports. It is possible that another 50,000 workers might be engaged in producing or assembling automobiles and parts for domestic use, thus giving a total figure, under very optimistic assumptions, of 125,000 workers.

We now may summarize the potential additional employment in manufacturing in India and China, which would result from a limited expansion to meet greater domestic needs, and an expansion of exports. This last increase would have to remain within such limits to take advantage of the existing cost structure in the two countries and without upsetting prices so much as to eliminate any initial comparative advantage. It is also assumed that productivity would be about one-third that of the United States before the war, and that revolutionary changes in technology do not take place. Moreover, possible decline in employment in handicraft due to the increased factory output or due to a rapid rise in the productivity of the present factory workers has not been considered. Our assumptions have also been most optimistic in that we have almost entirely disregarded the limiting effects on an expansion of Sino-Indian exports that might arise from efforts by other countries to industrialize, or from tariff increases. Still, to some degree these factors were considered implicitly by our assumption that most of the exports of India and China would be replacements of existing exports rather than net additions to the present totals.

(35) U. S. Tariff Commission, *op. cit.*, Part II, 52; *Foreign Commerce Year-book, 1930*, I, 433.

TABLE II
POSSIBLE ADDITIONAL FACTORY EMPLOYMENT IN
CHINA AND INDIA

Industry Group	Additional Number of Workers to be Employed
Iron and Steel	1,200,000
Textiles	1,000,000
Food Processing	400,000
Transportation	300,000
Chemicals	150,000
Automobiles and Parts	125,000
Rubber Goods	125,000
	3,300,000

To this might be added another 1 million workers in industries such as cement, paper, electric power, shipbuilding, etc. in which some expansion for domestic purposes is hoped for,³⁶ thus giving a total figure of almost 4.5 million additional workers. (This is about equal to the number of workers in manufacturing in the United Kingdom before the war.)³⁷

This figure, even when added to the number of workers already employed in manufacturing, is only a relatively small part of the total labor force of the two countries. In 1931 there were approximately 2.5 million workers in the factories and on the railways of British India. If on a liberal estimate an equal figure is assumed for China and Manchuria at that date, and if an addition of 2 million workers in industrial employment since that date is presumed, the number of factory and transportation workers in both countries was about 7 million in 1940. If to this is added another 5 million workers as a result of the industrialization program described here, the total number of workers would be about 12 million. This is less than 5 per cent of the entire economically active population in the two countries. (Another 12 million workers might be employed in service and distributive trades — the so-called tertiary industries. If the average size of family is assumed to be five people, the total non-agricultural population would be 120 million — only one sixth of the 725 million population. This is a far smaller percentage than either in Japan or the West, and it is probable that the population limiting effects of such a degree of urbanization would be small.)

It is of interest to compare the industrial output achieved by the prospective 12 million workers in manufacturing in India and China with that of various other countries. No attempt will be made to compare output of specific goods, but only an index of total output will be computed on the basis of employment and per capita productivity. (United States productivity will be considered 100; Sino-Indian and Japanese productivity will be assumed equal to one-third that of the United States, and two-thirds that of Germany and Great Britain.)³⁸

(36) United Nations, *Economic Development in Selected Countries*, 176-80.

(37) Rostas, *op. cit.*, 42.

(38) Rostas, *op. cit.*, 45-49; A. J. Brown, *Applied Economics*, 144-45.

Country	Year	Employment in Manufacturing and Mining ³⁹	Index of Total Out- put in Terms of Prod. Assumptions (U.S.=100)
Sino-India Area	(Projected)	12.0 million	26.0
Japan	1930	6.0 million	13.0
Great Britain	1931	7.9 million	38.0
Germany	1933	13.1 million	43.0
United States	1930	15.1 million	100.0

India and China would, under these assumptions, achieve an output double that of Japan and about equal to that of Great Britain, but only one-fourth that of the United States in 1930. But there is a crucial difference between the Sino-Indian area and the other countries. Whereas in Japan 20 per cent and in the other countries at least 30 per cent of the economically active population are engaged in manufacturing, in India and China 12 million workers are less than 5 per cent of the total labor force.

If India and China are to reach the Japanese level of industrialization (in terms of percentage of population employed in manufacturing) 70 million workers would be engaged in manufacturing. Under our assumptions of productivity, this would produce an output more than 50 per cent greater than that of the United States in 1930, and about six times that indicated earlier. If with so great a total output, production in each of the commodity groups were quintupled over the figures collected in Table II new domestic or foreign markets would have to be found. For the reasons given at the beginning of this article, which led us to conclude that though a somewhat greater internal market may be found the margin above subsistence is very low, it is difficult to believe that so very large an increase of the internal may take place in the near future. The bulk of rapid increases in output would have to be sold abroad, and it is unlikely that such large quantities can be offered on the world market without a drastic decline in the prices of the goods supplied. Such a fall in price would probably wipe out any initial comparative advantage of India and China. Along with the elimination of the comparative advantage would also go the hope of rapidly achieving higher per-capita incomes for the bulk of the population.

It is possible that a program of limited industrialization, as set forth in this article, could be combined with an effort to raise the output per worker and per acre on the farm and in the mine, and thereby widen the margin above subsistence. By such a program more and more workers might gradually be drawn into an expanding manufacturing industry and into urban areas. If at the same time the rate of growth of the urban population were reduced, this would have the effect of raising incomes at least in the manufacturing sector of the economy. The advantage of such a gradual program is that it may be started slowly with the limited capital and technical skills available; but its success would depend upon a restriction of movement of workers from agriculture into manufacturing which might arise because of an initial rise in incomes in the latter sector. It is also doubtful whether this process would have any effect upon the rate of population growth on the farms, and gains from higher productivity there would gradually be eliminated. A program of education and birth control in agricultural regions might obviate this, but the success of an isolated program unconnected with widespread industrialization is dubious.

(39) Ta Chen, *op. cit.*, 117.

This is, in essence, the dilemma of Sino-Indian industrialization for higher incomes. Slow industrialization may offer immediate gains, but in the long-run they are likely to be eliminated by the growth of population, except for a relatively small sector of that population. Very rapid industrialization, with a dependence upon overseas markets, might lead to the elimination of comparative advantages in many fields, and thereby prevent the achievement of initial gains; but it might have the effect of reducing substantially the rate of population growth and thus resulting in long-term gains.

Neither alternative promises a successful outcome. Nevertheless both offer at least a hope and a chance for improvement over present living conditions. This makes industrialization a desirable step, and probably a politically necessary one, in both countries. It is, of course, also possible that unknown factors (e.g., great technological changes, the reduction in the rate of population growth for reasons other than urbanization, or the development of new low-cost sources of food supply), may make these fears groundless, and the dilemma non-existent. Meanwhile it is my opinion that a policy of rapid, carefully conceived industrialization, mobilizing as much capital as can be made available, offers the best hope as one part of a general simultaneous program aimed at raising per capita incomes. The other parts must be an effort to improve agricultural and mineral productivity significantly (which may not call for large amounts of capital) and a widespread program of education, directed toward encouraging birth control, in rural and urban areas.

India is aware of many of these problems and the government, by the first Five-Year Plan and other programs, is taking vigorous steps to expand agricultural and industrial output. It is reclaiming land, introducing more productive agricultural techniques, and embarking on large scale irrigation and power projects. Simultaneously steps are being taken to support and develop cottage industries, and, in the heavier industries, to expand iron and steel capacity, increase textile output, and develop a chemical and fertilizer industry.

Such a general three-pronged program, if successful, would eventually result in a rate of increase of industrial and agricultural output greater than the rate of population growth, even though immediate per capita gains might be small or absent. This offers the best, even if not great, hope of improving the well-being of the population.

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ECONOMIC IMPLICATIONS OF ELECTRIFICATION IN UNDER-DEVELOPED COUNTRIES*

A fact rarely, if ever, stressed in studies on electrification in under-developed countries is that the problems involved are often not comparable with similar problems in already industrialized countries. Two examples, among many possible others, will illustrate this point. Historically, there is a difference in the timing of the electrification process in the under-developed countries of yesterday and the under-developed countries of today. In Western Europe and North America, rapid electrification was undertaken on the basis of an already existing manufacturing industry. In the under-developed countries of today, electrification often is a pre-condition for the establishment of the manufacturing industry, or is introduced simultaneously with the development of manufacturing. Also, the pattern of electrification as it took place in Western Europe and North America differs from that in the present under-developed countries. At that time, rapid electrification was determined chiefly by technical advances in the field of electricity, and by price relationships between the cost of electricity and other competing sources of power.

Today, the technical problems of electrical equipment are largely solved and such equipment is available in industrialized countries so that the technical difficulties, which the now industrialized countries experienced at the time of their own electrification, have almost disappeared for the under-developed countries. There remains, however, the question of adapting such equipment to conditions peculiar to under-developed countries, conditions often different from those prevailing in countries where the equipment originated. But the very fact that none, or almost none, of the electrical equipment is being manufactured in most under-developed countries, requires the often difficult solution on their part of particular foreign exchange problems. These facts and others pose very specific problems which have not as yet received proper attention.

This paper intends to present briefly some of the economic problems arising in under-developed countries in connexion with their electrification programme, with the hope that it will help in stimulating further research along the same lines. For the sake of brevity, we shall limit ourselves to: (1) the foreign exchange requirements of electrification and their impact on a country's balance of payments; (2) the cost of generating and distributing electricity in relation with the pattern of industrial development; (3) the problem of electricity tariffs in an under-developed economy, and (4) comments on some questions involved in rural electrification.

1. Foreign Exchange Requirements

The availability of foreign exchange largely determines the rate of electrification in under-developed countries and, even for those countries which have already undertaken electrification, the maintenance of their electricity system may pose serious problems for their balance of payments.

The question of availability of foreign exchange necessary to purchase equipment for the electrification process is decisive at every stage: for the

* The author is a member of the United Nations Secretariat, but this article represents his personal views and not necessarily those of the United Nations organization.

generation, transmission, distribution and consumption of electricity, a large part of the equipment and machinery has to be imported. Thus, the building of electric power plants requires foreign made generators; transmission equipment, as well as equipment for distribution lines, come from industrialized countries which also provide all the various industrial machinery, the household appliances¹ and other equipment² which is used in the consumption of electricity. It is true that the foreign exchange intensity in electrification varies somewhat according to local conditions such as availability of local sources of energy, the degree of development of local manufacturing industry providing some of the electrical equipment, etc., but there is practically no under-developed country which can supply from its own factories the wide range of electrical equipment required at all stages of electrification. The proportion of foreign exchange in total cost varies also with the different stages of the electrification process and, within a particular stage, the proportion of imported equipment will also vary with countries according to circumstances accompanying their electrification.

In the generation of electricity, for example, the share of foreign exchange is higher in thermal power stations than in hydro-electric plants because of the high proportion of civil engineering works usually involved in hydro-electric plants.³ However, this depends also on whether or not cement is produced within the country; wherever cement is not locally produced, it has to be imported, and thus the share of foreign exchange expenditures in hydro-electric projects may also be considerable.⁴

The transmission of electricity, which consists largely of the building of transmission lines, is also usually foreign exchange intensive. In some cases it was found that foreign exchange expenditure for transmission lines was as high as 80 per cent of the total cost of installing transmission lines. However, sometimes there exist various possibilities of lowering foreign exchange costs by replacing at least some foreign made equipment with equipment locally available, even if the latter is of poorer quality. For example, if steel towers are replaced by locally produced wood poles, foreign exchange costs of transmission lines may be lowered by as much as 20 per cent. On the other hand, some

- (1) Such as fans, radios, refrigerators, cookers, etc. The larger under-developed countries produce some of these appliances.
- (2) From bulbs to motors.
- (3) In one under-developed country, calculations showed that the construction of a hydro-electric plant under somewhat favourable circumstances would require a dollar loan service of \$1,100,000 a year as compared to fuel imports of \$3,000,000 per year. Not in all cases, however, will the result be so obviously favourable to all installations of hydro-electric power plants, nor does it end here: as local manufacturing industry develops, further calculations of the same type must be made.
- (4) Moreover, if a hydro-electric plant should require long transmission lines, then the total foreign exchange outlay for such an operation might be so high that only detailed studies would determine whether this particular hydro-electric project would cost less in foreign exchange than a thermal station even if the latter had to be operated with imported fuel. In general, however, it has been suggested that the annual servicing of foreign exchange costs in constructing a hydro-electric plant plus necessary transmission lines should be smaller than the foreign exchange capital cost of a thermal generating station.

of the larger under-developed countries are so far advanced in their industrialization process that they are able to produce some types of conductors, insulators, etc., necessary for transmission. In this way, these countries may be able to substitute some domestic equipment for imports and thereby lower the foreign exchange component of the cost of transmission line installations.⁵

As regards distribution costs, while very few economic studies on the subject are available, it is clear that such costs are considerable, although they vary enormously from country to country.⁶ In most of the under-developed countries, the larger portion of such equipment has to be imported.⁷ For example, almost all equipment for the use of electricity by consumers comes from abroad whether the consumer is the manufacturing industry, a private household or a public utility such as for street lighting. Imports for consumption of electricity thus range from the electric bulb to heavy industrial machinery. Thus, "electric consumption equipment" consists chiefly of imports for which foreign exchange will have to be paid.

In conclusion, if precise data were available⁸ for representative under-developed countries showing the foreign exchange cost per kwh. (taking into account the foreign exchange component of costs at all stages of electrification), they would show that electricity is a "highly foreign exchange intensive" industry under present conditions for most under-developed countries. It follows that under these circumstances, it is extremely difficult, if not impossible, for under-developed countries to reach a level of electrification comparable to that of industrial countries without creating serious problems for their balance of payments. If we assume, for example, that the foreign exchange cost of the installation of one kilowatt, including the proportionate cost of transmission, distribution, wiring and consumption equipment, amounts to \$500, then the servicing of such an investment, including amortization and interest, would amount to, say, at least \$50 per year. Roughly speaking, the foreign exchange expenditure per kilowatt would thus amount to one cent per kilowatt hour. Assuming, further, that a small under-developed country would like to provide an inhabitant with a modest 500 kwh. per capita (a level still below that of industrial countries but far above the present level in under-developed countries), then the recurrent annual foreign exchange component of such electricity supply would amount to \$5.0 per capita, which, for many countries, represents a considerable part of their present total per capita imports. This example points again to the high expenditures in foreign exchange connected with

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- (5) Here it is comparatively easy to estimate the requirements of such materials for a number of years. If requirements of each type of equipment are large enough to permit their economic local production, then a simultaneous development of small-scale manufacturing industry producing electrical equipment would lower the foreign exchange cost of electrification and expand manufacturing industry of the under-developed country at the same time.
 - (6) In India, for instance, it was found that in a model village where each worker's flat would have six outlets, the capital cost for the electrification of the entire village would amount to from \$200 to \$300 per apartment. This includes the wiring in the apartment.
 - (7) In one small under-developed country, it was found that the cost of a distribution line would have amounted in 1952 to \$6,000 per kilometer, 75 per cent of which would have involved foreign exchange cost.
 - (8) First calculations of this kind are now being attempted in some countries.

electrification and re-emphasizes that, under present conditions, such exchange costs will limit the size and tempo of electrification for most under-developed countries.

A number of further questions, all related to the problem of foreign exchange intensity of electrification programmes will have to be studied in order to elucidate all the ramifications of the problem involved. Among the questions which should be studied are:

- (a) Should countries continue their electrification programme, even if there is no clear indication that the required foreign exchange will be forthcoming?
- (b) To what extent is it possible to develop local manufacturing facilities for electrical equipment and materials in under-developed countries prior to or simultaneously with electrification programmes?

2. Tariffs

The sale of electricity and its economic implications is a more complex matter in under-developed countries than in industrial countries. In under-developed countries, in addition to the cost price, the foreign exchange cost of each delivered kilowatt hour has to be considered. In countries with local sources of fuel, its increased utilization will lower operation costs including foreign exchange costs per kwh. But in countries where fuel has to be imported, increased utilization will require higher outlay on imported fuel. In such cases, the utility of the additional electricity consumption will have to be studied in order to judge whether the increased cost in foreign exchange is justified.

The utility of electricity consumption can be evaluated by three different yardsticks, namely national income intensiveness, foreign-exchange-earning intensiveness, and finally, social needs.

If, as in many industrial processes, only one per cent of the cost of production is spent on electricity, then each unit of electricity will by its consumption normally produce a relatively high national income. On the other hand, if, say, 30 per cent of total costs of production are spent on electricity, then such an electricity consumption will have a low national income intensiveness. From the point of view, therefore, of national income intensiveness, electricity is best consumed where it produces the highest national income, namely in agriculture and energy-extensive industries. Foreign exchange intensiveness is an important consideration for many under-developed countries, especially in those countries where the development and maintenance of an electricity system is foreign exchange intensive. From this point of view, electricity is best used in energy-extensive export industries, i.e., in products which require little electricity. Mining industries, therefore, which often are energy-intensive are in most cases not the ideal export industries for under-developed countries with an undeveloped electricity system. Moreover, export products which are energy extensive are as a rule labour intensive which is a favourable combination in all those under-developed countries where under-employment exists.

The utility of the electricity consumption can, however, not be judged only by the preceding two methods. In each country, social considerations, which in themselves usually have long-term economic importance, will have to be taken into account. In some countries, farming can only be modernized by changing also the pattern of the farmer's life and this requires the intro-

duction of electricity in most cases.

A thorough evaluation of the various cost and utility factors is therefore necessary before measures can be taken in such countries to direct electricity consumption into the desired channels, to the extent to which such direction is possible.

The most effective long-term instrument for influencing electricity consumption in the desired direction is the electricity tariff. The preceding remarks have shown that an electricity tariff for under-developed countries must take into account many more factors beside cost considerations. In many other public utility services, cost as the single determining factor in tariff making has long been abandoned; in railway tariffs, for instance, the individual commodity tariff is not based on cost only but takes into account also the value of the goods transported with the result that bulky goods which are transport-intensive are carried at a lower rate than high cost items which can easily stand a comparatively high transport charge. Tariffs are so framed, in other words, that though the railway might lose on the transport of some bulky commodity, the overall receipts will cover railway operations. A similar approach to tariff making in under-developed countries could provide for higher electricity tariffs in energy-extensive industries and lower rates for agriculture and households.⁹ In this way, utilization would rise and the cost of electricity supply would fall. Under suitable local conditions, such a policy might also have considerable advantages with respect to its effect on national income, standards of living, etc. A different approach which also requires study would be based on the total cost of an electricity system over its estimated productive life. It is not material that the electricity system show a profit during its first years of operations provided the system can, by a rapid expansion of electricity sales through low tariffs, build up a market sufficiently large to allow profitable operations for the balance of its life so that over the whole period the investment would show a profit.

Though the idea has spread of regarding electricity supply as a public service, in industrial countries, with few exceptions, the idea has not been applied to electricity tariffs.¹⁰ This is probably due to the fact that electricity in industrial countries was pioneered by private capital as a normal commercial enterprise. Given the fact, however, that electricity tariffs in under-developed countries must by necessity take into account many other factors besides that of cost, the under-developed countries will have to develop their own tariff structures.

3. The Cost of Electricity

The ultimate cost of electricity is largely determined by specific local conditions, among them resource conditions. A country without fuel resources and without water power cannot, even with the most perfect electricity system, have cheap electricity prices. Denmark, the only developed country in such a position, has to pay ten times the cost price of electricity of its neighbour, Norway, which is blessed with large and favourable water power resources.

But whatever the real cost price of electricity should be, there is no possibility of industrialization without electrification. Telecommunication re-

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- (9) Wherever low consumer incomes prevent sales during hours of unused generating capacity.
 - (10) Though the status of public service puts limits on profits and prices, and requires maintenance of service, etc.

quires electricity, so do most manufacturing processes. But the consumption intensity in electricity varies widely among industries. There are energy-intensive industries and there are energy-extensive industries. Most industries require very small quantities of energy so that the cost price of electricity is insignificant in their total cost of production. But there are also energy-intensive¹¹ uses such as for: blast furnaces, the manufacture of aluminum, cement, glass, bricks and tiles, etc. In their endeavour to develop local manufacturing industries, under-developed countries sometimes overlook their energy resource conditions and develop energy-intensive industries in countries or territories where energy resource conditions are unfavourable. If in such countries electrification programmes are pushed ahead and large quantities of energy are used for energy-intensive industries, then foreign exchange difficulties are often bound to multiply. In view of some mistakes made in this field, it appears advisable in policy decisions regarding the course of industrial development, to take into consideration the energy resources available and the foreign exchange cost in electrification programmes. Apart from the fact that energy-intensive industries in energy-poor countries will have to operate with the handicap of high energy prices, they are in most instances a drain on the foreign exchange resources of the territory concerned. This general statement, however, requires modification as, under certain conditions, it still would be advantageous to manufacture energy-intensive commodities at home: for instance, if imported articles have to bear high transportation costs or if the local manufacture of some energy-intensive article would fill the missing link in the structure of local production, which would in turn considerably improve the foreign exchange position of the country concerned. In this field no thorough-going research has yet been initiated, and it is for this reason that a general statement only can be made.

Apart from resource conditions and the question of foreign exchange, the cost of electricity depends to a large extent on the utilization of the necessary installations through all stages. Electricity equipment is equipment ready for operation all the year around (apart from run-of-the-river power stations).

The present degree of utilization of electricity equipment in most under-developed countries is very low as compared to that in industrial countries. For most countries, this state of affairs represents not only a waste of scarce capital resources but also of scarce foreign exchange resources and it always results in higher than necessary electricity prices. The present pattern of electricity consumption in under-developed countries (which is still in a state of flux) shows a considerable difference in the structure of consumption as compared to that in industrial countries. Whereas in the developed countries more than half of the electricity was sold to industry, in the under-developed countries there are, broadly speaking, four different patterns, namely: (a) countries in which the bulk of all electricity produced is consumed in mining export industries; (b) countries in which the bulk is used for urban residential purposes; (c) countries in which local industries consume the overwhelming part of all available electricity; and (d) countries in which agriculture and industry consume the bulk of the electricity produced. Of the categories named, only the last one appears satisfactory and it is found in only a very few under-developed countries. The latter show a relatively balanced electricity demand: roughly one-third of the electricity is consumed by industry, one-third by agriculture, and one-third by households. The result is that

(11) It is immaterial here for the point under discussion whether fuel (such as coal) is used directly or electricity.

the load factor is relatively high and cost relatively low. Under-developed countries in which two-thirds to three-quarters of all electricity are consumed by local industry, show, as a rule, a very low load factor. This is due to the fact that most industries in under-developed countries work on one shift only.

In countries in which the bulk of electricity is used for urban-residential purposes, the load factor is extremely bad as a large part of total demand is concentrated during the few hours in the evening. Moreover, in such countries electricity is expensive, low national income intensive and high foreign exchange intensive. In the countries in which the bulk is used in mining export industries, the contribution of electricity in national income is small and the load factor is often unsatisfactory.

These few examples demonstrate the interrelation between utilization of electricity and costs. They also show that the structure of electricity consumption has in under-developed areas direct bearing on both the level of national income and the balance of payments. This relationship is far from obvious and needs further study with a view to evolving suitable methods for a fuller electricity utilization.

As regards technical aspects, the under-developed countries have largely taken over models perfected in industrial countries though much simpler and cheaper generating as well as consumption equipment would be preferable.¹² Energy-rich countries can afford to employ a type of generator or transmitter with low fuel efficiency if capital costs are lower. Such equipment could be constructed; it is not produced at present because there is no need of it in industrial countries.

A special problem is the proper maintenance and repair of equipment in under-developed countries, where the availability of skilled personnel is limited, and where there is often a lack of understanding for the necessity of keeping spare parts on hand and undertaking repairs as early as possible. The practice should be fostered of including in the preparation of a power project provision for the required number of skilled staff — both administrators and technicians. Only in a very few cases has this procedure as yet been followed; in the majority of cases there is a lack of personnel, with the resulting poor maintenance and high electricity prices.

These are a few of the many factors which determine electricity prices, and which require systematic studies. The publication of such studies, if they are undertaken, would also be of great value to other under-developed countries.

4. Rural Electrification

It is doubtful whether electrification in under-developed areas can be regarded as substantially achieved as long as the rural areas are excluded. Rural electrification in the under-developed areas is at the same time a more

(12) Note the following statement by Mr. Dengo of Costa Rica, Director, Instituto Nacional de Electricidad, which appeared in the Rural Electrification, Geneva, May 1953: "Latin American countries obtained electrical appliances from industrialized countries which did not really meet their requirements. Cooking stoves and various kinds of agricultural machinery, for example, could not yet find their place in the economies of those countries. Simpler appliances which could be put to immediate use and would be within the means of buyers would be far more useful."

important and a more complicated task than that in the developed countries, for the following reasons: (a) whereas in the under-developed areas the vast majority of the population is living in rural areas, the bulk of the population in the industrial countries is not living in rural areas — thus, rural electrification represents quantitatively a far more complicated problem than in industrial countries; and (b) whereas nearly all industrial countries are situated in areas of moderate climate where irrigation is not as a rule necessary, where food does not spoil rapidly, etc., most of the under-developed countries are in warmer or tropical areas where the introduction of electricity might bring about structural changes in agriculture and a considerable improvement of agricultural returns. There are also social reasons of considerable importance which make it advisable to introduce electricity in the villages as quickly as possible in order to permit changes in the traditional pattern of village life.

There exists, thus, this huge problem of rural electrification in under-developed countries at a time when most under-developed countries find it difficult to satisfy their growing urban and industrial electricity requirements. Even if, at the present time, no one can offer a satisfactory solution to the question of rapid rural electrification in under-developed countries, the question remains a challenge to engineers, economists, and all persons interested in the rapid economic development of under-developed countries.

Though questions involving rural electrification in under-developed countries are now coming up for study by ECAFE as well as by ECE,¹³ this can be expected to be no more than a modest beginning. The questions requiring study are numerous; some of them can only be solved in the context of the specific local conditions existing in the countries concerned. Some may have wider application. Among the questions are:

- (a) Cheap equipment. Cheaper distribution costs for rural electrification have already been developed in industrial countries. Here is a challenging field for engineers to design even cheaper equipment for all stages from generation to consumption. In some under-developed countries where rural electrification will have to be based on isolated production, in the absence of country-wide transmission lines, it would be desirable to design cheap small generating stations to be fueled by agricultural by-products cheaply available in the villages.¹⁴ The stress in all such equipment should be on cheapness in capital cost and simplicity in operation rather than on fuel efficiency. Similar efforts are required in respect of cheap distribution lines and cheap consumption equipment.
- (b) Study is necessary on the kinds of agricultural by-products best suited for electricity generation in areas lacking conventional fuels or hydro power.

(13) ECAFE = United Nations Economic Commission for Asia and the Far East.
ECE = United Nations Economic Commission for Europe.

(14) Research into micro power plants has reached a stage where all technical problems are said to have been overcome. A study on turbines for micro power plants has, for instance, been made at the request of the "Electricité de France." But production of micro power plants in France was held up by the question of whether such plants are required in France. Similar small and cheap power stations have been developed by U.S.A. research installations, but no production for sale has yet been reported.

- (c) Studies are also required on the economics of isolated vs. integrated electricity development in rural areas. Though local conditions will determine the desirability of one or the other, the method to be followed in evaluating respective advantages might find wide application.
- (d) The human problem. Rural electrification is impossible without a minimum of technical knowledge in the villages. One or two village mechanics must be trained for each village. This in itself is not an easy task and requires organization preparations. How far district pools and district training centres could overcome the lack of technical knowledge should be studied.
- (e) Finally, there is the basic question of financing rural electrification. Though no solution can be offered by anyone at this time, this does not justify apathy. New methods must be found and it is insufficient to rely, in this field, on financing methods applied in comparatively rich industrial countries. If villagers unemployed during the dead season could be employed on electrification work on a voluntary basis similar to voluntary road construction work on a village level already carried out in some countries, and if some of the equipment could be produced in village industries, then the size of the financing required for rural electrification might lose much of its terrifying aspect. Widespread research, both technical and economic, into rural electrification is thus a vital necessity for rural electrification. With all due attention to rural electrification experience in industrial countries, under-developed countries cannot simply take over such experience. In industrial countries, one of the main tasks of rural electrification is to replace human labour by electric power. In many under-developed countries this cannot be the aim. Rather, the main tasks of rural electrification are higher output, employment in dead season, lower production costs by replacing animal labour but not human labour by electric power, improvement in food preservation and in social conditions and modernization of village industries. Thus, under-developed countries will have to undertake their own research in all fields from equipment to finance. Co-operation in such research and pooling of experience among under-developed countries will become necessary in the future.

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POSTWAR PLANNING IN HUNGARY

The revolutionary institutional changes introduced into Hungary after the German collapse and Soviet occupation were intended to pave the road towards consolidation of power by the new regime. Economic reforms, therefore, represented individual stepping stones towards this central objective, with each set of reforms designed to weaken, undermine or liquidate one or another group of actual or potential "class enemies."

Land reform — the first of the radical economic reforms — was instituted to eliminate the power of the landed aristocracy, one of the major bulwarks of the interwar regime. It was also aimed at satisfying the age old "land hunger" of the dwarf-holding peasantry and the landless agricultural proletariat. Through the consummation of land reform, the regime was able to capture a position of power in agriculture — the largest economic segment in terms of labor force engaged — and to assure itself of the continuing support of the most disadvantaged, but also, most numerous group in the countryside.

Deterioration of the currency and hyper-inflation were permitted to assume such fantastic proportions that all liquid assets and working capital of banks, commercial and industrial enterprises, and individual holders of currency and deposits, were completely wiped out. This served to weaken and undermine the position of these firms, render them more dependent upon the government, and assure the National Bank complete control over credit after monetary reform had been accomplished. The tools of credit rationing and policy could then be used to attain effective control over commerce and industry even before these sectors were nationalized. Finally, through the gradual nationalization of banking, trade and industry the government was guaranteed complete and direct control over the non-agricultural sectors of the economy.

By thus subduing all of the "strategic heights" in the economy, the way was prepared for the introduction of comprehensive economic planning designed to accelerate the rate of recovery and expansion, with the nature and character of this process defined in conformity with the economic and political objectives of the regime.

The Introduction of Planning

The purposeful direction of economic life, on a comprehensive scale, was really started with the inauguration of monetary reform. The very stabilization effort was the result of a vast degree of preparation and planning, not only in the monetary sphere, but in all fields of economic activity. As part and parcel of this effort, an office of raw material and price control was established, which used its rationing and price control power to stimulate the development of those industries and branches of the economy that were considered vital either from a reparations, foreign trade, or domestic supply standpoint. It was this same office which was also charged with the preparation of an economic plan.

Having stabilized the currency, achieved a considerable measure of income redistribution through land and monetary reform, and having gradually gained increasing control over the vital branches of the economy through a series of nationalization measures, the time was considered ripe to inaugurate the Three-Year Plan. Therefore, the period between the armistice and the beginning of the Three-Year Plan can be considered as one of transition from a more or less free enterprise market economy to an increasingly state controlled and planned economy.

1. The Three Year Plan

a. The General Character of the Plan

The Three-Year Plan, when inaugurated, was designed to cover the period from August 1947 to July 3, 1950. It was drafted primarily as a recovery plan with some accent upon development. Its principal objective was to bring levels of production and consumption at least back to prewar. The investment program was largely designed to restore war damaged plant and equipment with some expansion of capacity, particularly in the heavy industries. The seeds for more far reaching industrialization of the economy were to be laid by a shift in emphasis, both in investment and production, from light consumer goods to producer goods industries, and by agricultural reorganization which was not only warranted by overall development considerations, but was made absolutely necessary by the new ownership pattern established through land reform.

More specifically, the stated objectives of the plan were (a) to raise the standard of living above prewar, (b) to make good war damage and loss in production and (c) to begin the intensification of agricultural production.

By 1950, national income was to exceed the prewar level by 14 per cent, mining extraction by 34 per cent, and industrial production by 27 per cent. On the other hand, the level of agricultural production was still expected to lag about 10 per cent below prewar. This was because livestock recovery would necessarily be slow and crop yields would not yet have recovered to the prewar level. While these targets constitute increases in relation to prewar, they represent levels of production which fall short of 1943, since industrial production between 1938 and 1943 expanded by 34 per cent, while the corresponding increase in mining was 80 per cent. Viewed in this light, the 1950 targets fall about 6 per cent short of the 1943 level in the case of manufacturing, and about 25 per cent in mining. In agriculture, however, where there was a consistent decrease in production every year following 1938/1939, the 1950 target exceeds the actual level achieved in 1943 by about 18 per cent, even though it still falls short of the prewar level as indicated above.¹

On the whole, the Three Year Plan did not envisage any basic change in the structure of manpower distribution or production. As a result of differential rates of planned recovery in the various sectors of the economy, the composition of the national product in 1949/50 was to be slightly different from that of 1938, in that the contribution of agriculture was supposed to decrease somewhat, with mining and manufacturing of relatively greater importance, while the other sectors were to remain relatively unchanged. Therefore the composition of the national product in 1949/50 was to resemble more that of 1943 than that of 1938.

The Three Year Plan was essentially an investment and production plan to be financed almost exclusively out of domestic resources, even though provision was made for additional investment in case foreign loans should be forthcoming. No foreign trade targets have been published although export and import availabilities have been taken into account in calculating production and investment goals.

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- (1) The National Income of Hungary (in Hungarian) in publication No. 4 of the Hungarian Institute for Economic Research, March 1947, p. 6 and Data for the Appraisal of the Economic State of Hungarian Industry in publication No. 6 of the Hungarian Institute for Economic Research, Nov. 1947, p. 5.

b. The Pattern of Economic Growth

The rate of Hungary's postwar recovery has on the whole been more rapid than was anticipated generally, or by the architects of the Three-Year Plan themselves. Thus, national product which had been more than halved by the end of the war, began to recover very rapidly from 1946 on, so that by 1949 it actually exceeded the prewar level as shown by the following data:²

Year	Net National Product ^(a)	Gross Investment ^(b)	Investment as % of National Product
	1938-39 = 100		
1946/47	60	20	4
1947/48	80	70	9
1949	116	170	16

(a) Based on Hungarian estimates adjusted to Western concepts by author: for methods see author's "The Economic Development of Hungary, 1920 to 1950." Dissertation, University of California, 1952. Ch. 3 and Appendix to Ch. 3.

(b) Based on author's estimates, for details see Ibid. Ch. 4 and Appendix to Ch. 4.

Such a rapid rate of expansion was made possible by a combination of non-repetitive elements. Most of the destruction of plant and equipment was partial, so that repair of war damage combined with an increasingly fuller employment of under-employed factors naturally led to rapid recovery. At the

- (2) In appraising the course and rate of recovery, attention must be paid to the fact that the quality of Hungarian statistics deteriorated considerably following 1948 and therefore that many of the claims made cannot be taken at face value. It may perhaps be more correct to say that the quality of postwar statistics had improved considerably as compared to prewar, but that after the middle of 1948 there was a gradual clamping down on publication and from 1949 onwards there began what appears to be a systematic effort at statistical camouflage. As a result of this and for propaganda purposes, accomplishments were presented and claims made in a rather misleading and exaggerated form. This very tendency towards exaggeration frequently leads the superficial observer to the conclusion that the claim made represents a complete impossibility. However, if one probes more closely, one tends to find that the substance of the claim may be more or less valid, even though the accomplishment it represents may be more modest in terms of a historical or international perspective than would appear at first sight. Therefore, one may legitimately question the effectiveness of Hungary's economic propaganda or for that matter that of other Eastern European countries, since it very frequently leads to reactions opposite from those desired. But it cannot be denied that the task of economic analysis is greatly complicated by this type of statistical and economic camouflage. For an excellent summary discussion of the reliability and limitations of Soviet and Soviet type statistics see Soviet National Income and Product in 1937 by Abram Bergson, Footnote 10, pp. 7 to 9, and the Symposium on Soviet Statistics in the "Review of Economics and Statistics" for Nov., 1947, Vol. XXIX, No. 4 and in "The American Statistician" for April-May and June-July 1947.

same time, the very process of repair and plant restoration automatically involved a certain measure of modernization and extension of capacity.

The postwar pattern of Hungary's economic development as it evolved during the Three-Year Plan period did not differ significantly from that which emerged in the other countries of Europe. In most of them, as in Hungary, farm production deteriorated during the war, while industry, and particularly the output of producers goods, expanded considerably. Entering the postwar era with an expanded plant capacity, it was relatively easier to bring about rapid recovery in industry than in agriculture. Deleted livestock numbers and wartime neglect of soil improvement resulted inevitably in low postwar yields, the recovery of which was necessarily a slower process than repair and full utilization of industrial plant.

The actual course of investment recovery was closely related to the trend in national product. A 40 per cent decline in national product led to an even sharper contraction in the level of investment. However, as national product rose, the rate of investment increased more rapidly. When output rose above the prewar level, investment exceeded it by much more.

Owing to this rapid expansion, investment more than trebled between 1946-47 and the following year, and more than doubled again in the year and half, between 1947-48 and 1949. But in spite of this increase, the rate of capital formation did not exceed the peak levels of the twenties. As a matter of fact in terms of 1938-39 prices, it was only 12.5 per cent of net national product in 1949 as compared to the 15.5 per cent attained in 1927-28.³

However, it is worthwhile to note that in Hungary, per capita gross investment in 1949 was still considerably behind the levels achieved in other European countries. Yet, the investment gap per head between Hungary and the West European countries has narrowed somewhat in the postwar period since investment is increasing at a more rapid rate in the former than in the latter. While in 1938, gross investment per head in Hungary was barely 9 per cent of the Swedish level (the highest in Europe), by 1949 the ratio had rise to 13 per cent.⁴

In appraising Hungary's investment capacity during these postwar years, it is very important to bear in mind reparations obligations. The real weight of this burden was felt in the form of unrequited exports, drawing away resources both from domestic consumption and from capital formation. It should be noted in this connection that as the reparations burden decreased relatively, the investment rate rose. This tendency may best be illustrated by the following set of relations:

Year	Reparations Burden	Gross Investment	Total
		As a Percentage of Net National Product	
1946-47	11	4	15
1947-48	8	10	18
1949	3	16	19

(3) See *The Economic Development of Hungary*, op. cit., Table 14 A.

(4) See *Economic Survey of Europe in 1949*. Prepared by the Research and Planning Division. Economic Commission for Europe. Geneva, 1950. Table 29 and Appendix C, Table I.

It is apparent from the above data that in 1946-47, reparations exceeded investment and weighed particularly heavily upon the country, while by 1949, they represented a much lighter load. With national product expanding during subsequent years, the reparations burden continued to be eased until all obligations were met by January 1953.⁵ The full enforcement of the reparations obligations in the immediate postwar years (they were reduced later in absolute as well as relative terms) imposed a burden upon the Hungarian economy at a time when it was least able to support it. On the other hand, it helped to provide fuller employment to some of the industries and in this sense, assisted in the country's postwar recovery.

c. Plan Fulfillment

One can really distinguish two periods in the execution of the Hungarian Three-Year Plan. During the first year, i.e., 1947/48, market forces were still relied upon to aid in the allocation of resources in accordance with state objectives. Amidst considerable inflationary pressures and a certain measure of price instability, the investment plan was over-fulfilled. Production targets were exceeded in mining and in producer goods industries, but lagged in several consumer goods branches and in agriculture. However, the plan for industry as a whole was surpassed. This appears to have been a surprise to the planners themselves, who, apparently operating on deficient information about production levels at the time the Plan was prepared, fixed targets at comparatively low levels.⁶ Thus, the relative success of the first year of the Plan was not only a mark of accomplishment but also a symptom of poor planning.

The rather rapid expansion during this first year emboldened the planners to accelerate the whole tempo of the Plan and thus to complete it in two years and five months. This involved a complete reorientation of short-range plans and upping of targets. It also meant a modification in the original character of the Plan, with much greater emphasis placed during this second phase upon expansion in capital goods industries and remilitarization.

The general speeding up of the pace of the Plan was facilitated by the halving of the reparations obligations to the USSR, in July 1948. But, the most important factors were political. The Three-Year Plan was launched by the postwar coalition of Smallholders, Social Democrats and Communists, in which the Communists were a minority. However, during the first half of 1948, this minority began to prepare more aggressively and openly the way for sole exercise of power. In the economic sphere this change was manifested first by a series of nationalization moves, then by the elimination of Social-Democratic influence in the unions, and finally by the redirection of planning.

It seems that in spite of this shortening of the planning period, most Three-Year Plan production and investment targets were surpassed by the end of 1949. However, there is no doubt that quantitative goals were attained by sacrificing quality of products.

On the basis of the data in Table I, the degree of Plan overfulfillment in investment is particularly striking. While the goals for capital formation as defined in the published plan contemplated a return to the level of investment attained in the last prewar years, they were actually exceeded by about 75 per

(5) See Szabad, NEP, January 24, 1953.

(6) Kemeny, Georg: Economic Planning in Hungary 1947-49, Ch. VII, p. 61, Royal Institute of International Affairs, 1952.

Table I
Targets and Plan Fulfillment for the Final Year of
the Three Year Plan

	1938 Level	Target	1949 Performance	Per cent of Fulfillment
	— in millions of Jan. 1947 florins —			
Net National Product, ^a at market prices	20,751	23,188	24,992	107.8
Gross Output in Agriculture				
Including increase in livestock nos.	10,434	9,430		
Excluding increase in livestock nos.	10,266	8,968	9,330	104.0
Gross Output in Mining	642	890	896	100.7
Gross Output in Smelting	511	655	680	103.8
Gross Output in Manufacturing, total ^b	13,557	17,164	22,658	132.0
Metals	1,292	1,784	1,800	100.9
Engineering	1,809	2,967	3,837	129.3
Power	492	704	829	117.7
Building Materials	400	425	496	116.7
Glass	84	180	137	76.1
Chemicals	1,169	1,709	2,148	125.7
Rubber	150	140	245	175.0
Timber	352	413	433	104.8
Paper	221	246	302	122.8
Printing	202	216	271	125.5
Leather	481	494	425	86.0
Textiles	2,871	3,601	3,184	88.4
Clothing	632	742	920	124.0
Agricultural Processing	3,702	4,038	6,052	150.0
Gross Output of Manufacturing, excluding Agricultural processing	9,855	13,126	16,606	126.5
Gross Capital Formation, total	2,534	2,565	4,535	176.8
Agriculture	253	330	377	114.2
Manufacturing	740	525	1,475	280.9
Mining	78	180	327	181.7
Communications	593	750	1,158	154.4
Housing	749	370	390	105.4
Health, Education, Welfare and Gov- ernment Construction	121	410	808	197.1

a These estimates are not comparable with those given in Table II since they are based on the concept used in the plan and thus exclude all government, personal and professional services.

b Includes all material inputs.

Sources: Based on data in Hungary's Three Year Plan, in Vas Zoltan's Report on the Completion of the Three Year Plan, in Tables 8 and 8A, 15 and 15A of the study on The Economic Development of Hungary, 1920-1950, op. cit., and in Table IV of Appendix C of The Economic Survey of Europe in 1949, op. cit.

cent. This was partly due to the fact that the original investment targets were predicated upon much higher levels of reparations. When these obligations were halved by the Soviets in mid-1948, resources which were supposed to have been diverted to that purpose, could be used for investment. In evaluating the Plan overfulfillment in investment, it must be noted that it is exaggerated to some extent by the fact that certain types of investment were excluded from the planning goals, but were included in fulfillment.

As the data in Table I indicate, investment in manufacturing was particularly high, representing almost a trebling of the Plan figure and a doubling of the 1938 level. The accent was particularly on the restoration and development of heavy producer goods industries, power production and electrification. The investment targets were exceeded in all other fields as well, but to a much lesser extent, with smallest overfulfillment in agriculture and housing. In the latter case, the level attained was actually barely more than half of the 1938

volume. This is a reflection of the fact that, even in the face of much wartime destruction of homes, housing ranks low on the scale of investment priorities established within the framework of the Plan. In contrast, before the war, a very large share of private capital formation was channelled into this sector.⁷

The degree of Plan overfulfillment was considerably less in respect to output than investment. While agriculture still lagged about 10 per cent below prewar,⁸ the goals for industrial production were exceeded by one third. All branches of manufacturing surpassed the Plan, except glass, textiles and leather. The relatively slow expansion of textiles is particularly striking in view of the importance of the industry and its very rapid growth during the inter-war period. It is important to note that the producer goods industries expanded their output much more in relation to prewar than the consumer goods branches. In 1949, the combined production of metals, engineering, power and building materials was 74 per cent above 1938 levels, while the joint output of textiles, clothing, and leather expanded only by 14 per cent.⁹

Judging by the available evidence, the year 1949 brought with it not only a marked increase in output and investment, but also a considerable improvement in levels of consumption.

The estimates in Table II indicate that in spite of war disruption, a considerable reparations burden and a comparatively high level of investment, personal consumption in Hungary had almost attained the prewar level in about five years after termination of hostilities. However, this fell short of one of the major Three-Year Plan objectives of "raising the standard of living above prewar." This conclusion seems to be also borne out by the data on the trend of real wages in industry and the purchasing power of farm incomes.¹⁰ At the same time, since personal consumption recovered much more slowly than government consumption and capital formation, the proportion of national expenditure consumed by persons declined from almost 80 per cent in 1938 to little more than 60 per cent in 1949.

It appears that during the last year of the Three-Year recovery Plan, Hungary attained its postwar peak in prosperity and standards of living. However, with the inauguration of the much more ambitious Five Year Plan, and its subsequent revision involving increasing emphasis upon armament, consumption

(7) See *The Economic Development of Hungary*, *op. cit.* Tables 15 and 15 A.

(8) The reduction would probably be smaller were one to take account of the increase in livestock numbers.

(9) Actually these various indices of industrial expansion are of extremely limited validity for two reasons: (1) they represent indices of *gross* output, constituting the output of all enterprises in the economy without any allowance for double-counting. This would not matter if the extent of double-counting were to remain constant, but in fact changes in the structure and organization of industry between 1938 and 1949, and since have been such as to increase the degree of double counting sufficiently to rob the indices of much of their significance as indicators of final output; (2) they reflect a shift from small scale industry and handicraft to manufacturing. (See *Economic Survey of Europe Since the War*, prepared by the Research and Planning Division, Economic Commission for Europe, Geneva, 1953, pp. 24-25.)

(10) See *The Economic Development in Hungary*, *op. cit.*, Tables 40 and 41.

Table II

Net National Expenditure in Hungary in 1938, 1947/48 and 1949
in millions of January 1947 Florin

	1938	1947/48	1949
National Income at Factor Cost	22,434	20,087	28,398
Net Foreign Balance ^a :	-745	-633	-668
Commercial Trade Balance	-745	440	93
Foreign Relief		150	
Reparations		-1,223	-761
Government Expenditure on Goods and Services ^b	2,419	2,805	4,764
Net Investment:	610	105	2,385
Gross Investment	2,545	1,865	4,535
Depreciation	1,935	1,970	2,150
Inventory Change	780	(2,000)	(2,500)
Increase in Livestock	170	390	(500)
Personal Consumption	17,710	14,364	17,581
Population (in thousands)	9,038	9,200	9,300
Personal Consumption per capita	1,960	1,560	1,890
Index	100	80	96

a Indicates export surplus

b Excluding government investment expenditures; these included in the investment item.

Sources: *The Economic Development of Hungary, 1920-1950*, op. cit., Tables 15, 15A and 34.

Economic Planning in Hungary Since 1938, by L. D. Schweng, N. Y. 1951, Appendix A, Table VII, p. 74.

Economic Planning in Hungary, 1947-49, by George Kemeny, London 1952, p. 118.

standards began to decline in 1950 with signs of continuing deterioration multiplying during 1951.

2. The Five Year Plan

The Five Year Plan represents a crystallization of economic tendencies and policies which were inaugurated upon the advent of the new regime in 1945. This regime inherited a disrupted and devastated economy oriented towards a wartime armament and defense effort. The direction given to the Hungarian economy by the war emergency was accentuated by the character of postwar planning. The Three Year Plan encouraged a more rapid recovery of producer goods industries and transport as compared to consumer goods industries and agriculture. But the tempo of this expansion was so geared as to permit a considerable recovery in standards of living. On the other hand, the launching of the original and then the revised Five Year Plan marked a rapid stepping up of the investment and industrialization rate at the expense of consumer standards.

a. The Plan

The primary objective of the Five Year Plan which is to run from January 1, 1950 to December 31, 1954, is to convert Hungary from an "agrarian-industrial to an industrial-agrarian economy" in which industry, but particularly heavy industry, such as metals and engineering are to play the dominant role.¹¹ The development of these heavy industries is alleged to represent a basic precondition for the growth of light consumer goods manufacturing, as well as of agriculture, transport and the other sectors.

Based on this central objective, the stated goals of the Five Year Plan are to:

1. Eliminate the backwardness of agriculture so as to:
 - a. Insure the domestic food supply.
 - b. Increase the supply of domestically produced raw materials for industry.
 - c. Expand agricultural exports in order to finance the growing import demand.
2. Raise the living, educational and cultural standards of the people.
3. Develop the armed forces and the defense establishment.

In order to accomplish these objectives, all resources are to be mobilized and fitted into the framework of the Plan. National income is to be more than doubled with industrial output to be trebled. The output of producer goods industries is to be increased by about 3.6 times and that of light industries about 2.6 times. On the other hand, agricultural production is to be increased by only 50 per cent. An expansion of this magnitude would represent a 20 to 25 per cent annual rate of growth in net national product as compared to a 1925-1949 average of 2 per cent a year. This would mean a more rapid rate of growth than experienced in any country of the West, or Japan, and even the Soviet Union.¹²

The very high aggregate industrial production targets outlined in Table III are not quite borne out by the commodity goals started in terms of physical quantities. These are unusually ambitious as well, yet none of them envisage an increase of three times the 1949 level with the exception of cement and nitrate fertilizer. The output of crude steel is to be increased 2.6 times, of electric power, 2.7 times, while the production of cotton cloth is to be raised only 1.4 times and of woolen textiles about 1.8 times.

Total gross investment is to be almost quadrupled between 1949 and 1954, with the share of net national product going into gross investment increased from 16 to 27-28 per cent. The latter would represent a higher proportion than any attained in European countries in the postwar period, with the exception of Norway, a country drawing upon foreign aid.

(11) Hungary's Five-Year Plan, February 1, 1950-December 31, 1954. Law presented to the National Assembly on December 5, 1949 by Erno Verö, President of the People's Economic Council; published in English by the Hungarian News and Information Service, London 1950.

(12) See Colin Clark: Conditions of Economic Progress, 2nd edition, London 1951 and Soviet Economic Growth, Conditions and Perspectives, ed. Abram Bergson, Chapter 1, "National Income" by Gregory Grossman.

The direction and character of the Five Year Plan is best illustrated by the fact that if realized, 56 per cent of total industrial production would be derived from the producer goods branches of manufacturing as compared with 42 per cent in 1938 and 48 per cent in 1949. Also, the share of the net national product contributed by industry and construction would increase from 43 per cent in 1938 or 51 per cent in 1949, to 64 per cent in 1954.¹³ The heavy accent

Table III

Five Year Plan Output and Investment Targets Compared with
Levels Attained in 1938 and 1949

	1938	1949	1954 Targets	
			Original	Revised
<u>Total Investment During Five Year Plan Period (Jan. 1, 1950-Dec. 31, 1954 - in millions of Jan. 1947 florin)</u>			50,900	84,000
<u>Percentage Breakdown of Investment for Plan Period:</u>				
		a	b	b
<u>Agriculture</u>		30.4	15.7	13.1
<u>Industry</u>		26.5	41.8	48.8
(a) <u>Heavy Industry</u>		22.3	35.9	44.6
(b) <u>Light Industry</u>		4.2	5.9	4.2
<u>Construction</u>			1.7	3.6
<u>Transport</u>		25.4	14.7	11.9
<u>Social Overhead</u>		(14.4	16.6
<u>Other</u>		(17.7	11.4	5.9
<u>Gross Investment (in millions of Jan. 1947 florin)</u>	2,680	4,535	..	16,700
<u>Gross Investment as Per cent of Net National Product</u>	12.0	16.0	..	27.0
<u>Net National Product (in millions of Jan. 1947 florin)</u>	21,623	26,835	43,740	61,720
<u>Share of National Product Derived from Manufacturing and Construction in Per Cent</u>	43.4	51.1	58.7	64.0
<u>Total Industrial Output (in millions of Jan. 1947 florin)</u>	14,710	22,660	42,240	70,240
<u>Output of Heavy Industry (in millions of Jan. 1947 florin)</u>	6,160	10,820	22,100	39,100
<u>Output in Light Industry (in millions of Jan. 1947 florin)</u>	8,550	11,840	20,140	31,140
<u>Share of Heavy Industry in Total Manufacturing Output in %</u>	42.0	48.0	52.0	56.0

(13) This is in terms of the official Plan concept of national product based on a Marxist definition of production.

Table III (continued)

	1938	1949	1954 Targets	
			Original	Revised
<u>Production of Key Industrial Raw Materials and Commodities, in thousands of metric tons:</u>				
Coal	9,340.0	11,830.0	18,500.0	27,550.0
Crude Iron	335.0	428.0	960.0	1,280.0
Crude Steel	650.0	860.0	1,600.0	2,200.0
Electric Power (millions of Kilowatt hours)	1,399	2,200	4,270	6,050
Tractors (numbers)	720	2,600	4,600	..
Cement	339.0	551.0	1,051.0	2,100
Bricks (millions of pieces)	548	1,420
Caustic Soda	2.2	8.2	9.7	..
Phosphate Fertilizer	43.0	90.0	330.0	..
Nitrate Fertilizer	37.0	67.0	307.0	..
Cotton Cloth, in millions of square meters	185	221	313.0	318
Woolen Cloth, in millions of square meters	14	18	29	32
<u>Agricultural Output (in millions of Jan. 1947 florin)^d</u>	10,434	10,100	14,360	15,550

- a Investment distribution according to Three Year Plan for the entire Plan period.
- b Investment distribution for the Five Year Plan period as a whole.
- c Includes Mining, Smelting, Metals, Engineering, Electric Power, Building Materials, and Chemicals.
- d Includes change in livestock inventory.

Sources: Tables 8, 8A, 9, 14, 14A, 15 and 15A of the Economic Development of Hungary, op. cit. and "Hungary's Five Year Plan." Law presented to the National Assembly on December 5, 1949.

placed upon industrialization, and particularly the development of producer goods industries is most pronounced in the investment plan. While the Three Year Plan provided for about 30 per cent of gross investment to be channeled into agriculture, the revised Five Year Plan reduces this to 13 per cent.¹⁴ At the same time, while industry is to receive 52.4 per cent of the investment funds instead of the 26.5 per cent envisaged in the first post-war plan, light industry is allocated 4 per cent in both cases, and heavy industry obtains 48 instead of 22 per cent. Thus, investment in the Stalin steel plant alone was to exceed all investment in light industry during the period of the Five-Year Plan.

The increasing emphasis placed upon the development of heavy industry at the expense of light industry and agriculture is pointed up particularly

(14) These percentages are based on a very broad view of agricultural investment including such items as rural electrification, investments in the manufacture of fertilizers and farm equipment, etc.

sharply by the differences between the original and revised Five-year Plan. The original Five-year Plan was predicated upon a relatively modest defense effort. However, following the outbreak of the Korean conflict and the resulting growth in East-West tensions, there were increasing indications that the Hungarian armament effort is being stepped up. The superimposition of a rapidly growing defense burden upon a high rate of investment resulted in increasing economic strain exemplified by growing labor shortages, increasing raw material supply problems, industrial bottlenecks and an unbalanced development — unbalanced in relation to Plan objectives and targets — of the different economic sectors.

In order to adjust to the new situation, there began a campaign for an upward revision of the Five Year Plan. This is the theme which dominated the proceedings of the Hungarian Workers Party Congress held in late February and early March of 1951.

The revision of the Five Year Plan was imperative according to official statements:¹⁵

- (1) Because the output of industrial materials, particularly coal, iron and steel, electric power and chemicals lagged behind the increasing pace of industrialization in the other branches of the economy.
- (2) Because agricultural development has remained retarded in relation to the rapidly growing industrial sector.

In reality, however, if one analyzes the targets of the revised Five Year Plan (see Table 46), one finds that significant increases are planned only in output and investment of mining and producer goods industries. The increase in agricultural investment is rather small in comparison with the other sectors and may be partly accounted for by rising costs.

b. Economic Expansion Under the Five-Year Plan

Economic development during the first three years of the Five-Year Plan (1950-52) has been characterized by rapid industrial expansion amidst almost complete stagnation in agriculture. This lag in agricultural development is evidenced by the fact that crop production, unit yields and livestock numbers have not yet fully recovered to prewar levels. One of the most important factors contributing to agricultural stagnation was the low level of investment in this sector of the economy. A number of official statements suggest that the policy-makers and planners cannot and do not want to envisage agricultural development within the framework of a peasant economy. Therefore, it seems that until the bulk of agriculture is socialized¹⁶ it is to be kept on a short investment ration. At the same time, the very campaign for collectivization leads to certain measure of disruption and corrosion of farmer incentives with its negative impact upon agricultural output.

Industrial production, while growing rapidly, has been increasing at a

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- (15) Gerő's speech before the Party Congress and "Introductory Section of Draft Law for the Revision of the 1949 Five-Year Plan Law," Szabad Nep, May 16, 1951.
 - (16) At the end of 1952, 37 per cent of the arable land area was encompassed by the "socialist" sector; 24 per cent was in collectives and 13 per cent in State farms. See Rakosi's speech to Parliament- Szabad Nep, Dec. 16, 1953.

diminishing rate as plant capacity and labor have become more fully employed from year to year. Thus, according to official statements, gross industrial output rose by about 30 per cent during 1951 and by almost 24 per cent in 1952 with a 16 per cent increase planned for 1953.¹⁷

Table IV
Output of Selected Industrial Materials and Products in
Hungary, 1938-1952

Commodity	Unit	1938	1947	1949	1952
Coal, of which	1,000 MT	9,340	8,800	11,800	18,500
Hard Coal	"	1,000	1,100	1,400	1,800
Crude Steel	"	650	600	850	1,400
Pig Iron	"	335	300	430	1,040
Cement	"	340	210	550	1,055
Cotton Fabrics	mill. of meters	168	140	220	290
Woolen Fabrics	"	14	10	17	22 ^a

a 1951.

Sources: Computed from 1950, 1951 and 1952 Plan Fulfillment Reports published in *Szabad Nep*, Jan. 23, 1951, Jan. 20, 1952 and Jan. 20, 1953, and from data in Appendix A, Table VI of L. D. Schweng's study on *Economic Planning in Hungary Since 1938*, published by the Mid-European Studies Center, New York.

Output of producers' goods and basic industrial materials has increased most rapidly as illustrated by the data in Table IV. While the production of cotton fabrics expanded by about one-third between 1949 and 1952, crude steel increased by two-thirds and the output of cement was almost doubled.

The marked strides in heavy industry have been made possible by high levels of investment and by a considerable expansion of the labor force. For instance, the number of workers engaged in the metals industry increased from 181,000 in 1948 to 320,000 in 1952. During the same period, the labor force in construction jumped from about 60,000 to 320,000.¹⁸ This increase in industrial employment has been attained partly by bringing more urban women into the labor force and partly by shifting labor from handicraft and trade. As a result, there have thus far not been any large-scale transfers of labor out of agriculture.

Investment expenditures in heavy industry were rising rapidly so that by 1952 they were roughly seven times higher than in 1938. Increases of this magnitude were brought about by a marked stepping up in the rate of forced

(17) Plan Fulfillment Reports for 1951 and 1952: *Szabad Nep* for Jan. 20, 1952 and Jan. 20, 1953. Since the figures cited represent indices of gross output, they are subject to the limitations outlined in footnote 9.

(18) From the Draft Resolutions to be Submitted to the XVIIIth Hungarian Trade Union Congress- *Szabad Nep*, Jan. 22, 1953.

saving and by a drastic diversion of available investment funds from housing to heavy industry. During the thirties, 35 to 40 per cent of investment went into housing as compared to 15 per cent during the early fifties.¹⁹

The ideological and indigenous compulsions driving Hungary's planners in the direction of rapid industrialization have been accentuated by the character of the country's postwar trade policy. The political reorientation of Hungary following World War II and Russian occupation inevitably brought with it an economic reorientation. This is clearly illustrated by the changes in Hungary's pattern of foreign trade.

Before World War II, the bulk of Hungary's trade was with Germany and Western Europe. Less than one-fifth of the foreign trade turnover was with the other countries of Eastern Europe, while trade with the USSR was negligible. Hungary's prewar trade was built upon exports of foodstuffs and agricultural raw materials, which constituted about 65 per cent of the total in 1938, in exchange for industrial raw materials, producers' goods and finished manufactures.

This trend was radically reversed after 1945 so that by 1951, 29 per cent of the country's foreign trade was with the Soviet Union and 38 per cent was with Eastern Europe.²⁰ Thus only 33 per cent of Hungary's foreign trade was with the rest of the world as compared to 83 per cent in 1938. Such a drastic reorientation in direction naturally involved a marked change in commodity composition. While there are no detailed trade statistics for recent years, it is quite clear that Hungary's agricultural exports have markedly declined, both in absolute and relative terms, but that her exports of certain types of capital goods and finished manufactures have risen. This change has not been caused only by agricultural stagnation but also by a change in the structure of export demand occasioned by the shift in trading partners. At present the Soviet Union, unlike Germany and the rest of Western Europe, is not a net food deficit area. On the other hand, she is also engaged in a continuing program of rapid industrialization so that her import demand in and of itself becomes a factor propelling Hungary in the direction of rapid industrialization.

c. Inflationary Pressures

With the stepping up of the rate of investment and the concentrated efforts to increase the Five Year Plan targets, the Hungarian economy has been subjected to increasing strains. All signs point towards continuing improvements not only in output, but also in consumer standards up to 1949 and even during the first half of 1950. However, the impact of the stepped up goals began to be felt around mid-1950, by which time practically all of the apparent labor surpluses were absorbed, and serious shortages began to develop, particularly of skilled labor. This was also the time when the original Five Year Plan targets were first revised in the direction of raising investments in the producers goods industries and decreasing the output of consumers goods.²¹

These changes were linked to a very marked expansion in the Hungarian armament effort. The increasing burden placed upon the Hungarian economy may perhaps best be gauged by comparing defense expenditures in 1949 and 1952. In the course of these three years, military expenditures were increased

(19) The Economic Development of Hungary, 1920-1950, *op. cit.*, Table 15.

(20) Economic Survey of Europe Since the War, *op. cit.*, Table 77, p. 216.

(21) New York Times, June 26, 1950.

about sixfold. Defense expenditures of about one billion florin in 1949 constituted about 10 per cent of that year's budget, while the corresponding outlay of six billion in 1952 absorbed close to 20 per cent of the budget.²²

This was dovetailed with a vigorous drive for curtailing consumption. Thus according to newspaper accounts, Eugene Varga, the Soviet economist of Hungarian descent, rebuked the workers upon his visit to Hungary for their "buying fever and wage frauds";²³ he is also alleged to have stated that the Hungarians were "eating their future and swallowing their investments."²⁴ The Hungarian press was at the same time criticizing the workers for lack of "work discipline," "loose production norms" and "wage frauds."²⁵

The situation appears to have been aggravated following the outbreak of hostilities in Korea, when shortages of consumer goods and foodstuffs became increasingly pronounced. This was admitted in speeches by both Rakosi and Gerő, as well as by the press. Both of the top communist leaders agreed that since "we must concentrate on the production of producers goods," the output of consumer goods cannot keep pace with expanding labor income and rising purchasing power of the countryside.²⁶ At the same time, *Szabad Nep* admitted appalling shortages of some foodstuffs, blaming them on the drought, and on consumer hoarding and purchasing fever.²⁷ All of these statements tend to support the conclusion that the Hungarian economy was being subjected to increasing inflationary pressures under the impact of a high rate of investment and expanding armaments.

The economic strains of a stepped up investment and armament effort were, however, not confined only to shortages of manpower and consumer goods, but resulted also in marked industrial bottlenecks and serious raw material supply difficulties. The urgency of this problem was underlined by a special cabinet decision to effect economies in industrial materials, machinery and labor.²⁸ According to this edict: "The tense international situation and the necessity to protect peace requires that the pace of socialist upbuilding be speeded up and that our defense establishment be strengthened. An important condition of this is increasing the savings in materials, machinery and labor which will enable us to mobilize new immense reserves in the interests of a more rapid development of our national economy." The edict further provides that in order to accomplish these objectives, installed industrial capacity must be fully utilized and economies are to be effected particularly in the use of coal, iron and steel, non-ferrous metals, petroleum and oil products, timber, cement, cotton, leather, paper and all imported industrial materials. Furthermore, it is necessary to step up the production of raw materials at home, and to develop substitutes for imported materials.

However, the inflationary pressures were most acute in the consumer sec-

(22) See *Gazdasagstatisztikai Tajekoztato*, Feb. 1949, pp. 102-9 and Olt Karoly's Budget Speech, *Szabad Nep*, Dec. 17, 1952.

(23) *New York Times*, June 26, 1950.

(24) *New York Times*, June 26, 1950.

(25) See various issues of *Szabad Nep* for May and June, 1950.

(26) Rakosi's speech to the Central Committee of the Hungarian Workers' Party, *Szabad Nep*, Oct. 29, 1950.

(27) *Szabad Nep*, Sept. 22, 1950.

(28) *Szabad Nep*, Dec. 31, 1950.

tor of the economy. With rapid industrial expansion, the urban labor force was growing, the wage bill was increasing so that consumer demands were rising while supplies were lagging. This comparative lag in the consumer goods sector was due partly to the quite slow recovery of agriculture, and partly to the disparities in the rate of growth of consumer goods manufacture as compared to producer goods. Such disparities tended to be aggravated by a general tendency towards a higher rate of plan overfulfillment in heavy as compared to light industry, and by periodic harvest failures such as the one of 1950.

It is for these reasons that the Hungarian regime was forced to reintroduce rationing and a two-price system, in December 1950. Rationing was supposed to assure the distribution of a minimum supply of consumer goods in the urban sector, while the free market was relied upon to mop up all of the excess purchasing power. However, the operation of the two price system brought with it some undesirable consequences and interfered with the implementation of certain economic objectives. Rationing resulted in some misallocation of resources as evidenced by the fact that bread grains were fed to livestock since their price was kept low, while prices of feedstuffs being uncontrolled were high. At the same time, rationing tended to undermine workers' incentives and thus partially nullify the effects of piecework wage systems. On the other hand, the high prices prevailing in the free market encouraged speculative activity and led to some measure of income redistribution from urban wage-earners to peasants and speculative traders, that is a type of income redistribution summing exactly counter to government policy.²⁹

In view of these considerations, Hungarian policy makers were anxious to decontrol prices of all goods as soon as possible. This task was facilitated by a relatively favorable harvest in 1951. Rationing was thus abolished as of Dec. 1, 1951, the two markets were unified, prices were raised close to the free market level, and wages were adjusted upward accordingly. Since farmers received no compensation in higher agricultural prices for the rise in prices of manufactures, this wage/price adjustment tended to shift the terms of trade against the countryside.

Under the impact of these inflationary pressures, real earnings of workers seem to have declined ever since mid-1950. Thus, while the cost of living rose by nearly 75 per cent between June 1950 and December 1951, wages increased only by 25%.³⁰ As a result of the wage/price adjustments of December 1951, inflationary pressures appear to have been relieved with some consequent gain in real wages during the first half of 1952. However, owing to a poor 1952 harvest combined with constantly growing rates of investment and an ever-increasing emphasis upon the output of producer goods, living standards of industrial workers deteriorated further between mid-1952 and mid-1953.³¹

On the basis of all of the abovementioned indications, it would seem that with the inauguration and execution of the Five-Year Plan average urban consumer standards have declined between 1950 and 1953. Rural consumption,

(29) See Rakosi's speech to the Central Committee of the Hungarian Workers' Party on Nov. 30, 1952. *Szabad Nep*, Dec. 2, 1952.

(30) See *Economic Survey of Europe Since the War*, op. cit., p. 35.

(31) This was flatly admitted by Rakosi in his speech of July 11, 1953 before the "Activists" Conference of the Hungarian Workers' Party.

however, did not begin to decline until 1952 when following the reintroduction of a one-price system, the regime finally succeeded in turning the rural-urban terms of trade against the countryside. The curtailment of rural consumer standards was greatly aggravated by a poor harvest combined with a very vigorous crop collection campaign.³²

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(32) By the spring of 1953, rural food shortages were apparently so acute that people were sending and carrying bread and food parcels to the villages. These shipments seem to have assumed such vast proportions that the authorities found it necessary to ban the shipment of such packages through the mail or by rail.

THE GOVERNMENT AND THE INDIAN VILLAGE

As most of the development planning of the Government of India is directed towards village development, I want to give you an idea of two different kinds of villages and of their relationship to the government. One kind of village is the isolated forest village where previous development plans have had little effect and where culture change is almost entirely absent. The other kind of village is a plains village near Bangalore where numerous changes have taken place. For convenience, I will call the isolated village Kadduhalli or "forest village" and the plains village Hattarahalli or "near village."

The relationships of the people of Kadduhalli, the forest village, with the government are strained and hostile beyond belief. Therefore, I will give you what information I have concerning the activities of the government in this village as much as possible in the words of the villagers themselves and in terms of my actual observations as recorded in my field notes, between January 20, 1953 and March 10, 1953.

Starting then with January 20, 1953, here is a selected sample taken from my field notes with the idea of illustrating how the villagers feel about their government.

January 20, 1953: Today a bamboo weaver of the village was caught removing bamboo from the reserved forest by a forest guard. The guard demanded a bribe of fifteen rupees. The bamboo weaver said he had no money and the guard threatened to strike him. The bamboo weaver described the incident a few days after it occurred as follows:

"Seeing that the guard was about to hit me, a man named Shiva came and asked him not to strike me. Then the guard got mad at Shiva. He quarreled with him and accused him of breaking forest rules and regulations. Finally, the guard took ten rupees from me and went to the neighboring village. The next day, the guard came with the watchman and ordered the watchman to remove all wooden articles from the house of Shiva. The watchman brought them out. Then, the guard said, 'I am going to burn all these things.' Shiva asked the guard not to do that and promised to give him as much money as he asked for. Finally, the guard agreed to take fifty rupees after threatening to prosecute Shiva in court. No persons in the village should talk when the forest officers are punishing people who have brought bamboo."

January 23, 1953: Basava and two other men were spreading grain ready for threshing. Myself and my interpreter watched their work and Basava talked of his troubles with the government as follows:

"Now, we want four bamboo sticks about one and a half inches thick. If we are caught taking them, we will be fined five rupees. In almost all forest areas, they have these fines. To build a small house I must pay in advance the amount asked by the foresters.

"We are afraid of the king, we think he may fine us heavily or imprison us, so we pay whatever the guard demands and build our small houses. If we do any other work in the forest without their permission, they will put up a case against us.

"Yesterday they came here and took one kolaga of ragi from each house (a kolaga is enough grain to feed a man for a week) together with beans and clarified butter. If we don't give, they go into our houses, remove our firewood and put up a case against us. We are illiterate, we don't know how to

deal with them, we don't know the rules and regulations of the government.

"Collectively, if we oppose them, they make a separate case saying that the people of such and such a village assaulted them.

"In Mysore State, things are much better as firewood and a certain amount of bamboo can be brought from the forest. Once a year, we pay some money to the Mysore forest guards (this village, incidentally, is on the borderline between Madras and Mysore).

"Here we must give eight annas for each animal grazing in the forest. If we pay one or two rupees to the forester, he allows them to graze. In Mysore State, there is no restriction, but some village headmen collect two annas for each animal and use that amount for themselves.

"Once a year, in June, we must go to the forest ranger and take licenses for our cattle paying the full amount. The ranger takes six pice or one anna extra for each animal.

"The ranger visits the village once or twice a year, the guard visits more frequently.

"Yearly, the forest produce is auctioned. We are not supposed to take anything without the written permission of those to whom the forest is auctioned. Usually, only businessmen purchase produce from the auction bidder. We must use our own trees. Even honey is auctioned, but we have a right to use the small combs."

Statement of Munsamappa: "The village would have been in unity but for these people. We never used to give any bribes to any government official. Our Puttaiah and Thimappa started about five years ago. Whenever the Revenue Inspector visits this village, these people will ask every family in this village to contribute money towards honoring the Revenue Inspector. The headman and Accountant are bringing the Revenue Inspector whenever he is transferred from this division. Our village elders, Puttaiah and Thimappa, will have a talk and ask everybody to subscribe one or two rupees. If we don't give that amount, these two people will ask the Revenue Inspector, through the headman, to harm us by imposing fines for some small mistakes.

"This time, we didn't want to give any money as we had already given seventy rupees six months ago. They say that they gave this seventy rupees to the previous Revenue Inspector. I don't know how much they gave and how much these people took.

"Yesterday, the headman went on asking every man to bring a subscription. We simply kept quiet, he was abusing everybody. Some people did not want to give them even milk. Puttaiah took them into his house and gave them food. Today they went away."

Statement of Doddanna: "My eldest brother was the leader of this village. He never used to collect either grains or money as now. He never used to bribe officials as now. He used to ask the Headman and Accountant to come over to the village at the time of harvest and take what the people gave. Now, my brother has neither money nor education to stop the bribes and troubles given by these officials. My oldest brother used to meet the District Forest Officer directly at Salem and used to get licenses for our cattle grazing. After his death, none of these people have the strength to stop these troubles. I know definitely, that they have been giving bribes for seven years. I have not been giving any bribes for the last two years, but my own

people are against me. The new land I have in the forest is no bigger than this room, but I am asked to pay bribes two or three times a year.

"Last year and the previous year, the forest officers and guards were transferred three times. Each time, we gave some grains, butter, beans, and money to the outgoing man and the incoming man. On account of this, I left the village and went to live in my wife's house. Only this year, I came back to my house.

"Now, for our plows we must get into the forest for wood. I am thinking of asking my wife's people to get wood for me."

January 24, 1953, Statement of Rajappa: "We are afraid of government officers, this is because they have done more harm than good in this village. Therefore, we will never say anything against any government. Almost all villagers have fought for the benefit of their villages. By change, if the government does any good to us, we will accept it as God-sent."

February 2, 1953, Statement of Krishnappa: "At harvest time, we are giving the Accountant one kolaga of ragi, the forest guard one kolaga, and the Village Menial four headloads at the time of cutting. My taxes on land are eleven rupees for five acres and one and a half for three tamarind trees.

"If we don't give money to these people, they report that we have broken some rule. Today, the Accountant and Headman asked us not to tell you anything, but I am ready to take milk or poison whatever you give so I am going to say what these people are doing.

"Just eight days before your visit, the Revenue Inspector took seventy rupees, that was the old inspector. Now the elders have agreed to give thirty-five rupees to the New Revenue Inspector. He wanted fifty rupees."

February 3, 1953, Statement of Motappa: "The teacher's son, a Moslem, is a member of the Taluk food committee. He is a big liar. He made my older brother spend seven hundred rupees for a license. When my brother understood that it was not possible for him to get a license, he approached another educated farmer at Berehalli. He sent my brother's application to the concerned officer and got the license without any cost.

"Two years ago, this Moslem asked all the people of this village to get loans from the government. He asked us to pay seven and a half rupees for each family. He told us the amount would be used for putting up applications. He collected from all the villages in this area. Perhaps, he collected more than three hundred rupees and did nothing. Whenever we ask him, he says, 'It will come.'

"We are paying 16 rupees to the Shambog whenever we want to have a tamarind tree situated in the reserved forest put under our names. The Accountant takes a yearly tax from us on such trees and we take the fruits. Usually, this Moslem will take all of the tamarind trees in the reserved forests at auction every year. He will ask us not to touch any tamarind tree he has taken in auction. Though we say a particular tree has been purchased from the government and we are paying tax, he will say we may own some other small young tree somewhere. He asks to pay fifty rupees, otherwise he will take the harvest. We cannot oppose him. If we oppose him, he will come with the Revenue Inspector at some other time and tell something against us and make us pay a

bribe. We do not know who made him a member of the Food Committee. He is one more Yama (God of Death) to us besides the forest people, revenue people, Headman, Accountant, Police, and Vaccinator. To all of these people, we give bribes whenever they visit this village. In addition we give them food stuffs free of charge."

January 31, 1953: Visit of the forest guard. The following is a conversation between Puttaiah and two forest guards recorded by my assistant at a time when the guards did not know he was assisting me:

Forest guard: "Your villagers seem to be rich."

Puttaiah: "How is that, sir?"

Guard: "You have brought an American here. Do they have authority to enter this village, that too in Madras State?"

Puttaiah: "No sir, we have not asked them to stop. There are so many relatives coming to our houses. Like that, they have come as relatives. For example, the day before yesterday, you also came. Like you, there are so many persons."

Guard: "For going and coming like this, have they shown any authority?"

Puttaiah: "No, they won't show. Being honorable and great people, they won't show any authority to you. If any big officer like the District Collector comes and asks, they will show their authority to him. They have no respect for you and your forest people."

Guard: "All right, I will visit this village again."

Another guard: "What, are they taking photographs?"

Puttaiah: "Just as souvenirs, they are taking pictures."

Guard: "Are they taking pictures of everyone?"

Puttaiah: "Yes, if you meet them somewhere, they will take a picture of you, also."

Guard: "Oh, all right, I will visit them some other times."

(Guards immediately left the village.)

February 6, 1953: Conversation between Doddanna and a guard (Doddanna was angry because he had recently been forced to pay a fifty rupees bribe).

Doddanna: "What payment will you give us for cutting and clearing the fire-breaks?"

Guard: "What our superiors give, we will give."

Doddanna: "If they give money, you will eat it away, just like the other guard."

Guard: "Why are you worrying about the past. You can't do anything. If you complain in court, the officers don't know Kannada and you don't know Tamil. If I go and complain, they will throw you out of court. If any forest guard wants to put up a lying petition, you will be no more. You will have to sell all of your properties. There is nothing you can do, except beg the forest guard to drop your case."

February 6, 1953: Today, prominent men of the village decided to collect ragi for the forest guard and watchmen as a token of their

respect. They decided to give the guard ten kolagas of ragi and the watchman five kolagas. That is enough food for one man for almost one year.

February 7, 1953: One man from each house was sent out to clear the forest lines. Three years ago, payment was given for this service. At present, a system of forced labour is used and no payment is given.

February 22, 1953: Forest guards from Mysore came to collect grains. Prominent men of the village were absent, so they returned with empty hands.

February 23, 1953: Because of scarcity of water, some villagers are sending their cattle into Mysore State for water. There, the guard caught the cattle and asked the villagers not to send them into Mysore State. The villagers agreed to collect some grains for the guard.

The guard came today and asked for some butter, beans, and other goods. The village leaders said, that these goods had already been sold and that nothing could be given. The villagers expect that the Mysore guards will be satisfied with some butter.

Today, the Headman and some of his followers came to collect taxes.

February 26, 1953: Statement of the village Menial of a nearby village: "It seems these big people (revenue officials) will take bribes from every village amounting to fifty or one hundred rupees. They won't share anything with the village Menials, but the Headman and Accountant each get a share."

March 3, 1953, Statement of Lakshmappa: "We are paying our land tax in three installments from January on. Each time, the Headman comes over here on the first week of the month for collecting. From each land holder, he takes four annas extra which belongs to him. He gives a small chit for the amount received. We cannot make out the head or the tail of the amount paid towards each survey number of our land. He is not giving any printed receipt. We cannot demand such receipts. If we ask him he will say nothing at the time. Later, he will make us pay something, when the Revenue Inspector visits the village, by telling something against us.

"About 250 acres of land were given by the government for cultivation about ten years ago. We are not allowed to pull down trees in these lands whether they are useful or not. We do not know how much land has been given to each landholder. Each year we receive a different notice and demand for taxes, which varies from three to twenty five rupees. We don't know why the government is giving us so much trouble. We were really grateful to the Company government which was ruling impartially. They were seeing to things personally and punishing the responsible officers who were doing mischief. Now, no officer will visit our village except the Revenue Inspector."

March 4, 1953: Visit of the forest guards and watchmen as observed by myself and my assistant and recorded in my field notes. "This morning, a band of about 15 ragged individuals without any uniforms came to the village. One of them was wearing part of a forester's uniform. The gang was carrying two guns. Two of them went to Thimappa's house and asked for a jack fruit. Thimappa said, 'I haven't any.' This irritated the guards and they seized his cattle, which were grazing in the fields. These cattle, they said, have been grazing illegally in the reserved forest. The guards brought the cattle to the village and threatened to impound them if the villagers did not pay a

bribe. As the guards were leaving the village they caught sight of me and left the village without cattle and in a considerable haste."

March 5, 1953, Statement of Bhadrappa: "A forest guard took 100 rupees from me as a bribe, his name is Veera.

Now he is stationed near Thaggathi. After I paid the bribe, he allowed labourers to cut bamboo and wood in the forest for my house."

March 5, 1953, Statement of Rajappa: "We have grouped together all the wicked people of this village. Each fellow can ruin two or three families in a year if he is allowed. For five years, all the families have known their tactics and no one will give in. We have made them our village panchayat members, that was the only way left us. Instead of picking up a quarrel with each fellow for his mischief we have made them responsible for all the wicked deeds in the village. You know Arasappa. He is the worst fellow in the village. He has made the village pay more than 2,000 rupees in bribes to the officers. It is only during the last four years that we learned his tricks.

"He used to send words to the officers secretly to tell them that such and such fellow has brought something from the reserved forest. He would ask them to enter the house. He used to send word to the man whose house was entered asking him to pay 50 or 100 rupees to square up the case. He used to give something to the officials and keep something for himself.

"Hanamatha was also doing the same trick with one forester for a year. When that forester was transferred another forester came and brought many things out of Hanumatha's house. Hanumatha paid him 40 rupees in order to be released from the case."

March 10, 1953: Today, fifteen kolagas of ragi were sent to the forest guard and watchman as they were afraid to enter the village and collect it while an American was in the village.

Here, then, is the situation of a forest village. The villagers are poor, many of them must collect roots from the forest in order to subsist and most of them cannot afford decent clothing or housing. They are completely uneducated, they know nothing of their constitutional rights or of any other rights. Consequently, they are at the mercy of any minor government official who chooses to take advantage of them. The village is located in what should be rich and productive forest area, yet the forest has been almost completely destroyed by villagers, forest guards, and timber merchants. There are many programmes designed to help forest villagers and to improve the forests, but not one of these programmes has had the slightest effect upon Kadduhalli.

The two factors which contribute the most towards making the improvement of the villages impossible are the war between villagers and minor officials and the campaign of extermination which everyone conducts against the forest. In solving these two problems are two things which I would like to see tried. Firstly, the villagers could be given a much greater degree of self-government than they have at present. If they were allowed to exercise control over the minor government officials, much of the corruption could be eliminated. Secondly, I would like to see the villagers given a definite share in the forest products. If they were part-owner of the forest, they would not allow the forest to be destroyed. There is no reason why an area, where sandalwood, teak, bamboo, citrus fruit, mango fruit, jack fruit, and probably grapes will grow wild should be allowed to become a desert.

Hattarahalli or "Near Village" is only 15 miles from Bangalore and is very

different from Kadduhalli. Not only has a great deal of change taken place, but a large proportion of the changes which have taken place have been due to the influence of the government.

In former times, Hattarahalli was not too different from Kadduhalli. The social order in the village was crystallized along hierarchical lines and the village was ruled by a small group of rich, old men. In former times, although the government of that time can hardly be called democratic, it was an expression of the essentially feudal nature of the Indian village. Not only that, but these feudal governments left to the villagers a large share of the actual work of government. Although the democratic nature of the village panchayat may be questioned, it was, at least, a valid expression of the cultural and social organization of the village and it enjoyed unimpaired authority in the village. Until 1880 there was very little question as to the government's effect on the village, because almost the only government in the village was the village panchayat.

In 1880 or so, British style administration began to make itself felt in the village and striking changes in the social organization of the village began to occur almost immediately. British style administration replaced a loosely organized feudal system of government with a highly organized and paternalistic bureaucracy which had its origins in an industrialized nation located thousands of miles away from the village. Even today, in 1953, the argument that the government is thousands of miles away from the village is not without its strong points.

The British and British trained administrators who formed the new government of Mysore were in many ways foreign to the people of the villages. These administrators knew little about the social organization of the villagers and had very little interest in maintaining it intact. Many of the changes set in motion in the 1880's were basically negative changes calculated to destroy the existing social order, but not calculated to set up anything else in its place except possibly a bigger and better bureaucracy.

In 1886, for example, every tree and every patch was surveyed, labelled and taxed. Instead of taking taxes in grains as previous rulers had done in the past, the new administration insisted that the villager sell his grain in the nearest market and pay his taxes in cash. As Hattarahalli and India in general at that time produced a surplus of agricultural goods, the price of these was very low indeed. Although the villagers had plenty of food and could afford to use butter for lighting purposes, it was extremely difficult for them to pay taxes. When villagers failed to pay taxes, the government took the land and auctioned it to the highest bidder. Sometimes, the government gave away the land to any man who was willing to pay taxes on it. In addition, the government claimed all of the community owned lands in the village and attempted to get every square inch of the land cultivated. Where previously a few rich families had owned all of the land in the village, cultivating it or not as they wished, the government soon acquired control of the bulk of the land in the village and gave it away to whomever would cultivate it.

The effects of this policy on the social structure of the village were revolutionary. Persons who had formerly been tenant farmers or even serfs acquired lands, while families which had formerly been wealthy could find no one to cultivate their lands and were forced to sell them or give them to the government. Hattarahalli soon became a village of small farmers. The enormous social mobility introduced by the new administration led, quite naturally, to a weakening of the caste system and of the village social organization.

The government's attack on the social organization of the village did not, however, end with land reform. Public schools, courts of law and a police force were also introduced. Formerly education had been directed primarily along religious lines and had been monopolized by members of the vegetarian castes. The new education was aimed largely at producing more and more civil servants, clerks, and school teachers. By the 1930's agriculture had become a discredited occupation in Hattarahalli and the ambition of nearly every boy was to go to school and become a government officer. By 1953, more than thirty out of 100 families in the village were receiving income from relatives employed in government service or in industry. As neither the school system, nor the urban employment exchanges paid much attention to the caste system of the village, education added yet another avenue of social mobility and helped undermine the social organization.

Like the system of taxation and the schools, the law courts and the police force were essentially foreign to the village social structure. Previously, the law at Hattarahalli had been a traditional and informal sort of law based upon the authority of the village elders. The introduction of a police force and of law courts which enforce a completely different code of law and was completely independent of the village elders resulted in a tremendous decrease in the powers of the village elders. In weakening the power of the village elders, the law courts removed most of the sanctions which had previously controlled social mobility in the village. Here again, the negative nature of the changes destroyed is clearly evident. The power of the village elders was destroyed, but at the same time, the police and the law courts, located far from the village, were almost equally powerless. By 1953, the old social order of the village had been almost destroyed and the process of destruction was proceeding at an accelerated rate. On the other hand, not much had been added to take the place of the village panchayat and of the caste system and many of the changes which took place were definitely not for the better.

The acreage of cultivated land in the village was greatly increased, the number of cattle was decreased as there was no grazing land, the quantity of fertilizer was decreased as there were no cattle and the total crop yield for a much larger acreage than was previously cultivated is now considerably less than the yield obtained previously.

When the village elders lost their power, the younger generation in the village began insisting that their large joint families be broken up. Previously, few men were married before they were thirty years old; at present most men are married and separated from their families by the time they are twenty years old. This has resulted in increasing population.

Previously marriages were very expensive and many poor men could not afford to get married until late in life. When land became readily available to almost everyone, the poor people of the village became socially mobile and were able to acquire money for their marriages. Not only that, with the loss of control over village social organization by the village elders, marriage became much cheaper and even poor people were able to marry when young. This resulted in increasing of population. The introduction of public health measures and famine control also enabled the population to increase.

With neither the village elders nor the police exercising any particular control over the village, and with economically depressed classes demanding their rights, crimes of violence became increasingly common in the village. As often as not, these crimes went unpunished. The village elders had no power to punish the culprits and the villagers themselves were afraid to complain

to the police as the police knew nothing of village conditions and were as likely to punish the innocent as the guilty.

In the 1930's for instance, a village near Hattarahalli was completely dominated by a gang of thieves. These thieves entered the garden of a rich man of that village with the idea of murdering him. A body guard employed by the rich man killed one of the thieves. The thieves immediately complained to the police and the body guard was arrested. The rich man was able to rescue his body guard only after paying a large bribe.

In 1953, an old man of Hattarahalli tied a rope around his neck and jumped into a well. The police were called in and they immediately announced that murder had been done. Later when they found that no one in the village had any motive and that the villagers were unanimously of the opinion that it was suicide, the police changed their opinion. The danger of trying to co-operate with the police is obvious.

The changes listed above are obviously not improvements in the village. Nevertheless, few villagers really want to return to the "good old days." The reason for this is that whatever evils the new system of government produced in the village it did have the effect of emancipating young and middle aged men and some of the poor people of the village. Hattarahalli has changed from a village dominated by a few old men to a village dominated by many middle class farmers, each the head of a small family.

But all the villagers realize that everything is not well in Hattarahalli. The old culture and social organization of the village is rapidly disappearing, but there is nothing very satisfactory to take its place. Standing on the ruins of their former culture and faced with an overwhelming problem of over-population, the villagers of Hattarahalli want someone who will show them the way out of their predicament. Some of them wish the British would come back, some of them wish the Communists would take over, some of them think that Congress will overcome its inertia and corruption and provide a solution to their problems, but the main point is that all of them want a change. They want it now and not one hundred years from now.

Existing government plans, if they are effective, offer a solution to some of the villager's problems. One of the basic aims of the five year plan, for example, is to increase the production of food stuffs. This means that the price of food will fall and that the farmer will have plenty of food, but no money. That was all right in 1900 but now the people of Hattarahalli want bicycles and wristwatches. They want to see a motion picture once a month and they want houses just like the houses in Bangalore. If the price of food continues to decline as it is at present, it will produce a great deal of intense dissatisfaction in the rural area. Here again, as under British rule, the effects of government programs may not be quite what the planners expect them to be.

Agricultural reform in India also includes the proposition that agricultural work be done efficiently and that it be mechanized as quickly as possible. Even a simple device like the iron plow reduces the labour required for plowing by fifty per cent. If an efficient weed killer like 2-4-D were introduced into Indian agriculture, it would produce thousands of unemployed. (Unemployment appears to be increasing in India.) A byproduct of increasing agricultural production may be the unemployment of thousands or even millions of people. The agricultural reform programs of the American New Deal and the concurrent industrialization of agriculture resulted in one of the greatest migrations in human history when millions of unemployed farm laborers descended upon the State of California.

Because they live with these problems of technological unemployment and over-population every day, the people of Hattarahalli are well aware of the fact that there are too many people employed in agriculture. Many of them are trying to leave their village and find employment in industry. Most of the educated people of the village, more than half of the male population, is conscious of the importance of education and of its connection with urban employment. At present, however, certain reforms are contemplated in the educational system in Mysore which tend to reduce the villager's chances of finding employment in jobs other than agriculture. This year, the nearby high school has changed its medium of instruction from English to Kannada. This is greatly resented by the villagers as they feel it will now become difficult for them to get jobs in Bangalore. Some of the wealthier villagers are now planning to send their sons to Bangalore for their education. This is not the worst of it for the educational reform program being contemplated at present by the Mysore Government contemplates drastically reducing the amount of academic instruction made available to the villagers and increasing the amount of training given in agriculture and related "cottage" industries. Thus, although the villagers are fully aware of the fact that one or two sons from every family must seek employment in government or industry, the education which these sons are about to receive appears to be planned without any awareness of that fact. Undoubtedly, the new system of education will benefit those who plan to make agriculture their career, but the other twenty-five or fifty per cent of the youth of Hattarahalli, those who must get jobs outside of Hattarahalli, will suffer terribly from the effects of an education which denies them any opportunity of competing with those educated in urban areas.

It is impossible at this stage to say definitely what the effect of the present government plans will be upon such a village as Hattarahalli, but these are some of the possibly unforeseen effects which may result from the present plans.

When planning is discussed on the village level and questions are asked as to whether a given plan will be accepted by the villagers or not, a number of fresh problems arise. Although the inhabitants of such villages as Hattarahalli are ready and willing to respond to well conceived planning programs and the problem of conservatism is pretty much overcome, there are still a number of obstacles which prevent full utilization by the villagers of existing plans. Corruption is one of these problems since getting loans from the government for building wells or improving the land, villagers themselves have little voice in determining who should get the loans. Those who do determine these matters are generally far removed from the villager both physically and spiritually. As loans are to be given to poor farmers, the relative poverty of the farmers concerned is often adjudged on the basis of who can give the largest bribe. Furthermore, since all government officials with whom the villager deals are appointed civil servants, it is very difficult for him to remove corrupt officials. In the last year, the people of Hattarahalli have seen one corrupt revenue inspector, one corrupt headman, and one corrupt surveyor sent out of the area, but other corrupt officials still remain. There can be no real and permanent solution to the problem of corruption until the villagers are given a much greater representation in their government. The administrative and judicial branches of the government must be brought down to the village level and the officials concerned must become dependent upon the villagers. The head must be attached to the body before the legs will move.

A man currently engaged in the administration program of village development work told me that the greatest problem he found was the problem of dis-

unity in the village. Anyone who has lived in an Indian village is greatly impressed by the number of faction fights, offenses and murders which take place. This sort of social disorganization is characteristic of people who are treated as second class citizens everywhere in the world. Rapid social change, feelings of inferiority and lack of local self government inevitably produce disorganization. As long as the villagers are ruled by outsiders appointed by the government, over whom the villagers have no control whatsoever, social disorganization with its faction fights and so on will continue to exist in the village and will continue to hamper development programs.

I should like to submit in conclusion that there are two human groups involved in any situation of development planning. On one side, are the government officials who must ultimately administer the program. If these officials are corrupt and cynical, the programs which they administer cannot be successful. On the other side, are the innocent victims of development plans, namely, the villagers themselves. If plans are conceived and applied without careful consideration of the possible and probable effects of the plan upon the human beings in the village, they may have unforeseen and tragic consequences which greatly exceed the beneficial effects of the plans. Good intentions do not always make good plans.

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A NOTE ON RURAL DEBT AND CONTROL OF CEREMONIAL EXPENDITURE IN INDIA

Introduction and Statement of the Problem: Peasant indebtedness is one of the most significant characteristics of the Indian rural economy. The causes of this indebtedness are many. Important among these are the pressure of population on the land, excessive fragmentation of holdings, soil erosion and low productivity, insufficient irrigation, and inadequate access to a supply of credit for agricultural purposes on reasonable terms. Accumulation of debt and current borrowing is also brought about by expenditure on feasts and ceremonies on a scale quite beyond the normal farm income.

Since the time when the problem of rural debt in India first aroused major concern, a great deal of attention has been paid to the possibility of showing an important and direct correlation between the burden of debt and "extravagance" on social expenditures. Efforts have been made in many parts of India, especially in the Punjab, to promote rural welfare through the reduction and voluntary control of borrowing for non-productive purposes.

The purpose of this paper is to make a brief survey of what has been written about the importance of ceremonial expenditure as a contributory cause of the burden of debt of the Indian peasant, and to evaluate some of the organized attempts which have been made to reduce such expenditures.

In any analysis of rural credit, it is usual to distinguish between loans for productive purposes and those for non-productive purposes, i.e., between loans so utilized as to create their own means of repayment and those spent for reasons other than to increase farm income. In this paper, no account is taken of such a distinction; no attempt is made to evaluate the relative usefulness of loans for various purposes. Until such time as the traditional behavior patterns and customs of the rural population can be reoriented to some extent, expenditures for ceremonies and feasts seem as meaningful, and hence as necessary, to the peasant community as grain for seed or tools for working the land.

Extent of Indebtedness incurred for Ceremonial Expenditure: While reliable data exist on the extent of total rural debt in India,¹ only widely varying estimates are available on the proportion of this debt due to expenses for feasts and ceremonies.

Qureshi, without citing sources, states that "Inquiries conducted in various parts of India reveal that at least three-fourths of the total agricultural debt of the country is what is popularly called unproductive credit. These loans are taken for marriages, ceremonies, births, sickness, funeral and other requirements."² In his survey of conditions in the Punjab, M. L. Darling expresses his agreement with the conclusions of various Provincial surveys, notably those carried out in Bombay, the United and the Central Provinces, where in excess of thirty per cent of debt was directly attributed to "the social,

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- (1) Reporting in 1931, the Central Banking Enquiry Committee estimated rural indebtedness at Rs. 9,000 millions; a decade later, the Reserve Bank placed it at twice that figure.

These figures are taken from M. L. Dantwala, "Agricultural Credit in India - The Missing Link," *Pacific Affairs*, Vol. XXV, No. 4, Dec. 1952.

- (2) A. I. Qureshi, "The Future of the Co-Operative Movement in India," Madras, 1947, p. 140.

religious, or legal customs by which the peasant is bound."³ Mayer, in a study of conditions in Malabar, finds that "ritual expenses are heavy for all castes."⁴

Some writers feel that the unproductive expenditure of the peasant class has been magnified to such an extent that it has side-tracked the economic implications of the debt problem. D. K. Rangnekar, who expresses this point of view most strongly, places the debt caused by social events and ceremonies in excess of 10 per cent.⁵ It appears, however, that this figure refers to current expenditure and it seems probable that a part, at least, of a larger amount spent on the repayment of old debts and loans originates in expenditures for social purposes during prior periods.

The most recent estimate of ceremonial expenses is given by the figures in the National Sample Survey of the Government of India. (Table No. 1).

Table No. 1

CONSUMER EXPENDITURES PER HOUSEHOLD BY ITEMS OF
CONSUMPTION IN RURAL AREAS: ALL INDIA
JULY 1949 - JUNE 1950

Item	Rupees/Household	Percentage of Total Expenditure
Grain	442.61	38.70
Pulses	40.89	3.58
Edible Oil	43.31	3.79
Vegetables	26.72	2.34
Milk & Milk Prod.	88.82	7.77
Meat, Eggs, Fish	24.57	2.15
Fruits	12.15	1.06
Refreshments	14.10	1.23
Salt	4.82	0.42
Spices	31.00	2.71
Sugar	29.28	2.56
Total: Food.	758.27	66.31
Education	7.87	0.69
Medical Services	14.54	1.27
Ceremonies	82.46	7.21
All Others	280.36	24.52
TOTAL:	1,143.70	100.00

Source: The Economic Weekly, Vol. V, Nos. 4 and 5, Bombay, January 26, 1953, page 141, from National Sample Survey.

The statistical basis of this survey is open to question, particularly in so far as it concerns conditions of rural households.⁶ Even on the assumption

- (3) M. L. Darling, "The Punjab Peasant in Prosperity and Debt," 4th edition, Bombay, 1947, p. 19.
- (4) Adrian C. Mayer, Land and Society in Malabar, Bombay, 1952, p. 114.
- (5) D. K. Rangnekar, "Agricultural Finance in India," Bombay, 1952, p. 87.
- (6) The data are drawn from an article entitled "N.S.S. - The Non-Sequitur

that the data given in this Survey are an accurate reflection of actual conditions, it must be noted that the percentage given for expenditure on ceremonies (7.21%) refers to cash expenditure, and hence can be assumed to represent a considerably larger percentage of rural household cash income. If, as is likely under rural conditions, the consumption of grain represents value of production consumed by the cultivating household, then the percentage of cash expenditure on ceremonies increases to 11.76%. This figure rises to 13.47% of cash expenditure, if the expense for Milk & Milk Products is also taken as value of product consumed by the rural family. Furthermore, it is likely that some part of the expenditure given for food results from consumption at feasts on ceremonial occasions, so that the percentage of household expenses for ceremonies should be increased to that extent.

The Social Importance of Ceremonial Expenditure: Rituals, such as marriages and funerals, have the effect of gathering members of a kinship group which otherwise often remains scattered. They also provide a means of expressing status by the large feast given to the kinsmen and often to the neighboring villagers as well. It is, therefore, understandable why they are carried out.⁷ In certain parts of the country, particularly in the Punjab, a shortage of women leads to the necessity of purchase of brides and hence makes unavoidable heavy expenditure for marriage. Also, the dowry system affords a yardstick of wealth and social importance.

The social need for ceremonies is well expressed by Pandit Nehru in his Autobiography. "Indian marriages, both among the rich and the poor, have had their full share of condemnation as wasteful and extravagant display. They deserve all this. Even apart from waste, it is most painful to see the vulgar display which has no artistic or aesthetic value of any kind. (Needless to say there are exceptions.) For all this the really guilty people are the middle classes. The poor are also extravagant, even at the cost of burdensome debts, but it is the height of absurdity to say, as some people do, that their poverty is due to social customs. It is often forgotten that the life of the poor is terribly dull and monotonous and an occasional marriage celebration, bringing with it some feasting and singing, comes to them as an oasis in a desert of soulless toil, a refuge from domesticity and the prosaic business of life. Who would be cruel enough to deny this consolation to them who have such few occasions for laughter? Stop waste by all means, lessen the extravagance (big and foolish words to use for the little show that the poor put up in their poverty), but do not make their life more drab and cheerless than it is."⁸

In the fairly recent past, strong economic and political forces, outside the

Survey, "Economic Weekly, Vol. V, Nos. 4 and 5, Bombay, January 26, 1953.

The article points out that the statistical sample is much too restricted to be considered reliable for all of India. Furthermore, the data has been weighted in such a way that cultivating peasant families account for only 2/5's in arriving at the final results.

It should also be noted that no mention is made of payment of debt in the break-down of current expenditure, which does not seem to be possible under present conditions in India.

- (7) Adrian C. Mayer, op. cit., p. 112.
- (8) Quoted in an article by Khan Mohammad Bashir Ahmad Khan, "Better Living Societies in the Punjab," Indian Co-Operative Review, Vol. III, No. 2, Madras, June 1937, p. 176.

scope of comprehension and control of the Indian peasant population, have tended to undermine the traditional social cohesion of the village community. This has been a disrupting and disturbing experience. Traditional ceremonies provide not only an incentive to work under otherwise miserable conditions of existence, but also constitute a reassuring and stabilizing link of the community to its own understood and accepted past.

The welfare of the Indian village cannot be directly related, in any way, to a reduction in "extravagance" and "wasteful expenditure" for social occasions. Ceremonies play a role which cannot be measured by any monetary yardstick.

Co-Operatives as an Instrument of Controlling Ceremonial Expenditure: While there appears to be general agreement that any attempt to control the burden of rural indebtedness brought about by ceremonial needs must rely on initiative arising outside the village community, there is a wide divergence of opinion regarding the role the existing co-operative system could, or should, play in a program of village social rehabilitation. Some of the most prominent leaders of the co-operative movement feel that "schemes like social reform impose an undue strain and that it is unreasonable to expect co-operators to undertake such functions. However much they might be expected to do it, they really cannot succeed, because nothing but well organized State Aid can achieve these objects."⁹

Qureshi, who made a careful study of conditions in Hyderabad, arrives at an exactly opposite conclusion. He advocates a complete re-orientation of the co-operative system, restricting its activities solely to the supply of credit for non-productive, but necessary, purposes. The supply of current credit for productive agricultural uses, he feels, is a purely commercial function and could best be fulfilled through truly commercial channels. All other credit needs should be provided for through voluntary co-operation, and free of interest only because if the supplier of such credit has no financial incentive in making money available can he exert some influence on how the loan is to be spent.¹⁰ He appears to be overly influenced by his Islamic background which seems to lead him to underestimate the practical difficulties of securing loanable funds without interest payment or protection against risk for the lender.

These two conflicting viewpoints have been reconciled, to some extent, by the organization, within the co-operative system, of societies whose primary purpose is social control and reform.

Like other societies established for specific purposes, such as the supply of credit, the Better Living Societies apparently suffer from some lack of whole-hearted community participation. Unless an awareness of the need for the objectives of such a society can be created on the community level, and a demand for its services stimulated among the village families, active participation will be restricted to the level of co-operation obtained by any other government regulation. It also appears questionable whether mere reduction of expenditure — essentially a negative aim — can have lasting popular appeal. It might be preferable to couple the aim of saving on social display with an attempt to channel the amounts saved towards some more practically useful but socially equivalent objective. As an example, it might be worth-while to encourage donations to some community project, such as village school, dispen-

(9) Indian Co-Operative Review, op. cit., p. 154.

(10) A. I. Qureshi, op. cit., p. 143.

pensary, assembly house, on ceremonial occasions.

The Development of Better Living Societies: Co-operative societies designed primarily to reduce the heavy expenditure on ceremonial occasions were first organized in the Punjab during the early 1920's, and have since spread throughout India. The principle of Better Living Societies is that members bind themselves by voluntary agreement to submit to the compulsion of an elected committee in all matters related to the objectives of the society. The society regulates the maximum amounts of expenditure that may be incurred by members on ceremonies, such as marriages and funerals. Fines are levied from members who exceed the financial limits set by the society.

Many writers give examples of the effectiveness of this co-operative control over ceremonial expenses. A society in Bihar and Orissa reported in 1933 that estimated expenditures of Rs. 3,300 for marriages in the families of four members were reduced to Rs. 830 through the efforts of the society.¹¹ The first society organized in Madras estimated that, as a result of supervision, the net savings of members were Rs. 5,586 in twenty-two cases.¹² The one Better Living Society for the whole Audich Brahmin community in Baroda State is reported to have saved Rs. 94,560 by reducing ceremonial expenditure.¹³ In the Punjab, Darling found that wherever expenditure on weddings and funerals is excessive, there is a marked desire to reduce it.¹⁴ Membership in an organized Better Living Society gives social sanction to a curtailment of expenses which could not be attempted by the single family. The more successful Punjabi societies find that marriages that used to cost from Rs. 500 - 1,000 can now be done for a fifth of the amount.¹⁵

Table No. 2 shows the development of Better Living Societies in the Punjab up to 1936. These data show specific figures of successful operations of individual societies in proper perspective. Despite satisfactory results in specific localities, the movement does not appear to have met with a great deal of enthusiasm, as indicated by a total membership of less than 30,000 in 1936 out of a total population in excess of twenty million.¹⁶ There is some indication, although the evidence is in no way conclusive, that membership in newly organized societies declines with continued operation.¹⁷

(11) Registrar of Co-Operatives for Bihar & Orissa, "Report for the Year 1933," Patna, 1934, p. 28.

(12) Registrar of Co-Operatives for Madras, "Report for the Year 1938," Madras, 1939, p. 59.

(13) Eleanor M. Hough, "The Co-Operative Movement in India," London, 1932, p. 196.

(14) M. L. Darling, "Rusticus Loquitur," London, 1930, p. 249.

(15) M. L. Darling, *ibid.*, p. 249.

(16) The population of the Punjab, according to the 1931 census, was 23.58 million.

M. L. Darling, "The Punjab Peasant," *op. cit.*, p. 172.

In 1946, there were 2,350 societies with over 109,000 members; however, by 1941, population had increased to over 28 million.

M. L. Darling, *ibid.*, pp. 241 and 172.

(17) In 1936, Musaffargarh, which is the most backward district in the prov-

Table No. 2

GROWTH OF BETTER LIVING SOCIETIES IN THE PUNJAB.
1927 - 1936.

<u>Year</u>	<u>No. of Societies</u>	<u>Membership</u>	<u>Average Membership</u>
1927	136	5,350	39
1928	231	8,665	38
1929	289	10,943	37
1930	312	11,610	37
1931	359	13,002	36
1932	430	15,327	36
1933	487	15,338	31
1934	520	18,361	35
1935	590	20,909	35.5
1936	736	28,928	39.3

Source: The Indian Cooperative Review, Vol. III, No. 2. Madras, June 1937, page 173.

Summary and Conclusions: Even a conservative estimate indicates that expenditure on ceremonies accounts for more than ten per cent of rural income. Considering that such expenditure in the past accounts for part, at least, of the accumulated burden of debt, it is safe to state that ceremonial expenses are an important contributory cause of rural indebtedness in India.

It would be interesting to correlate data on actual cash expenditures and consumption of home-produced goods on ceremonial occasions with figures on current borrowing, to arrive at more precise conclusions regarding the effects of ceremonies on the accumulation of debt.

Ceremonies play a definite and necessary part in the life of the village community. They cannot be eliminated merely because they give rise to "unproductive" expenditure; to some extent, ceremonies are an incentive for production and, in so far as they provide a link with the traditional past, they are a stabilizing element of village life. Any attempt to decrease the waste and "extravagance" of traditional social ceremonies will depend in its success on the degree to which it is able to substitute alternative, equivalent and equally acceptable outlets for community social activities.

No agreement exists on the role which should be played by the existing co-operative system in promoting a reduction in unproductive expenditure, although it is generally accepted that the initiative for any program must be pro-

ince, made the best progress by adding 21 societies and over 1000 members.

Indian Co-Operative Review, op. cit., p. 173.

These figures indicate that the average membership of the new societies exceeds considerably the average membership of the previously established ones. A similar trend could be shown for the districts of Ferozepur, Lyallpur, Ludhiana, Ambala and Hoshiarpur, for which data about new societies were given.

The evidence is not conclusive and further investigation might be interesting.

Table No. 3

EXTENT OF RURAL DEBT IN DISTRICTS AND AREAS
IN THE PUNJAB*

District and Area	Debt's Multiple of Land Revenue	Debt per culti- vated Acre	Debt per Head of the Rural Population
Mianwali	28	Rs. 22	Rs. 46
Muzzafargarh	22	26	35
Dera Ghazi Khan	22	13	40
Multan	8	17	25
Western Area, average	15	20	34
Sialkot	27	56	54
Gurdaspur	20	49	47
Ambala	24	45	56
Hoshiarpur	23	64	48
Submontane Area, average	24	53	51
Jullundhur	17	50	47
Ferozepur	38	32	72
Lahore	22	31	43
Gujrat	21	25	32
Ludhiana	23	49	71
Amritsar	30	66	65
Central Area, average	22	36	51
Rawalpindi	8	10	12
Jhelum	13	14	22
Northern Area, average	13	12	20
Gurgaon	19	30	48
Rohtak	17	25	39
Hissar	15	6	22
Karnal	11	14	19
Southern Area, average	15	15	31
Lyallpur	5	Data not available	Data not available
No data available for districts of: Gujranwala, Sheikhpura, Montgomery, Sargodha and Jhang.			
Canal Colonies, average	2	5	9
Punjab, total average, 1921	19	31	49
" " " 1930	25-1/2	46	68

Source: Compiled from data given in M. L. Darling, *The Punjab Peasant in Prosperity and Debt*, 4th edition, Bombay, 1947.

* For comments on data, see text.

vided from outside the village. While Better Living Societies have shown desirable results in those localities where they have been successfully established, there is no indication that they will generate the type of "grass-root" enthusiasm which would permit them to become the sort of popular movement necessary for a fundamental solution of the problem of limiting ceremonial expenditure throughout the country.

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A NOTE ON VILLAGE GOVERNMENT IN THE INDIAN NORTHERN HILL STATES SINCE INDIAN INDEPENDENCE

Like the arc of a bow lying along the northern boundaries of India lie a number of hill states between Pakistan, Tibet and the Punjab, formerly administered by rajahs. With the attainment of Indian independence, 21 of these former hill states, with 9 of their tributaries, were combined into the new province of Himachel Pradesh. These hill states consisted of the States of Baghal, Baghat, Balsan, Bushahr, Bhajji, Bija, Chamba, Darkati, Dhami, Jubbal, Keanthal, Kumarsain, Kunihar, Kuthar, Mahlog, Mandi, Mangal, Sargni, Sirmur, Suket and Tharoch. From Indian hill states each managing their own affairs under the advice of a British Resident Commissioner, the new province became an integral part of the all-India administrative system. The new province of Himachel Pradesh was divided into the four administrative districts of Mahasu, Mandi, Sirmur and Chamba with an area of 10,600 sq. miles and a population of 989,437 people. These four administrative districts are however extremely heterogeneous. Not all the districts have contiguous boundaries. Travelling from Chamba to Simla, a government official must travel one day to the rail head at Pathankote by bus, and another day by rail to Simla through the Punjab. There is little contact between one district and another below the government level.

The attempt to unite these various districts is being made partly by administrative fiat from the Central Government and partly by the creation of new units of local government. These new organs of government are making only limited use of the natural institutions already found in the districts. As typical of the difficulties the government is facing, this article is illustrated from the Brahmaur tahsil¹ of Chamba district.

Under the rajah's administration, there was a balance between the local village government and the rajah's officials. All the land in the State (both waste and cultivated) belonged to the rajah. Before any waste land could be brought under cultivation, a fee had to be given to the rajah. The continual occupation of the land depended on the regular payment of revenue through the lambardar,² a government appointed revenue official and a member of the village, usually, but not always, the largest cultivator of land. Above the lambardar were other officials but all held their position at the rajah's pleasure. They were the agents of the rajah on the spot enabling him to make any decisions necessary in the field of finance, land allocation, forests, schools or other local matters. Under certain circumstances the rajah could even raise lower castes in the caste hierarchy.

Although Himalayan villages are smaller than villages on the Punjab plains, usually consisting of about 100 people, each village has a panchayat,³ an infor-

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- (1) tahsil — administrative sub-unit, traditionally also a land revenue unit.
A number of tahsils comprise a district.
 - (2) lambardar — in parts of North India an appointive village revenue-collection official.
 - (3) panchayat — a council; normally there have been village panchayats, caste panchayats, and even clan panchayats. Each panchayat tending to administer and regulate the affairs of the entity that it heads.

mal group of male elders who meet together to discuss matters of common concern. The elders are usually the heads of the clans. Although the proceedings are not formal in the sense of being written down and registered, to oppose the panchayat's decisions may be serious and result in social ostracism. Some of the decisions on which they take counsel are as follows:

A Brahmaur government official of the district was invited to have a meal with the visiting Director of a government department, who was from the plains and of a lower caste. Although the Brahmauri was well educated and had no objection to doing so himself, the head of the village panchayat privately saw him beforehand and warned him that if he dined with the Director, he would be expelled from caste.

A village family wished to divide up their land and, in order to prevent quarrelling subsequently, asked the village panchayat to divide the land themselves and to offer the two halves to the two brothers.

A new family had come to settle in the village where they had acquired the right to till land by inheritance (a very unusual occurrence). One of their members had died and the clan were looking for a place to use as their clan burning ground near water. None of the other clans would allow the body to be burnt on their traditional burning ground and the panchayat was asked to allocate a new position. The immigrant family were dissatisfied but were forced to accede to the villagers' wishes.

On the other hand, the panchayat in the hills is not in any sense an executive body. One of the more progressive of the villagers wished to have a school building in his village where the traditional Brahmin school teacher could teach his pupils more conveniently than in the present private house. He persuaded his village panchayat to support this project and gave a substantial sum of money towards its completion. Various villagers gave their labour, but, within a few weeks, enthusiasm had waned, and the building was left half tiled. No amount of urging by this progressive villager could get the school completed, notwithstanding the support of the panchayat and his liberal donation. The enthusiasm had waned and the panchayat could do nothing. The advisory nature of the panchayat is due to the fact that, consisting only of clan heads, action can only result when the interests of all the clans coincide, and when the families, of which the clans are composed, also agree on the course of action.

Every member of each clan is of the same caste. Yet it was the rajah who had the final say in allowing expulsion from the caste. For a heinous offence such as the eating of forbidden food, on the evidence of two witnesses, the culprit might be expelled from the caste. It was open to the accused person to go to the rajah and prove his innocence. If he did this to the rajah's satisfaction, he was restored by the rajah's orders to the caste brotherhood. If he were proved guilty, he petitioned the rajah to have his offence expiated. Even in the operation of such a local matter as expulsion from caste by the village panchayat, the rajah was the fountain from whom action was to come. The panchayat is an administrative rather than an executive body in the Himalayan hills.

With the removal of the rajah and his replacement by Deputy Commissioners⁴ and officials deriving their authority not from the rajah but from the head of their department, whether medical, public works, education or forest, the nature of the administration has radically changed. A pyramidal administra-

(4) Deputy Commissioner — The senior I.C.S. official in any District.

tive structure is being established, each official low in rank being responsible to his senior. The most senior in the system is the Director of a department who is responsible to a Minister responsible to a provincial assembly,⁵ which consists of members, elected by constituents. The Minister may come from a different district and be completely unknown to the villager over whom he exercises this distant control.

To overcome this difficulty of distance between governor and governed, parallel to the system of elections by which every adult inhabitant of Himachel Pradesh chooses a member of the provincial and Delhi parliament, it is proposed to set up a system of panchayats, which will control minor local affairs. Although these panchayats are supposedly based upon ancient Indian custom, they are very different from the existing panchayats, for they are to undertake executive and advisory duties to the tahsildar,⁶ the government appointed sub-district head, and are based upon revenue districts, and not on villages.

Owing to the small size of the villages, the rajah's government had organized groups of villages together on the model of the Punjab plains into revenue districts. These revenue districts consisted of adjoining villages grouped together for the purpose of paying revenue. But apart from the administrative convenience, adjoining villages have no common interests based on their territorial contiguity. Since each village usually consists of one caste, common interests sometimes unite those of the same caste in different villages. Frequently ancient amicable relations have resulted in generations of inter-marriage not necessarily to the nearest village. Economic ties (where they exist) are usually weaker between adjacent villages than between those of different castes in different villages having specialized occupations. Caste, inter-marriage and economics are all more powerful motives for villages co-operating together than payment of revenue. Yet it is the payment of revenue which is being made the administrative basis of the new panchayat. The secretary of the panchayat is to be the patwari, a government appointed field surveyor.

In short, in the Himalayan province of India, there are two types of government, that from above forcing its authority on those below, and the various elementary forms of village government, efficient in controlling its own members, but incapable of covering an area larger than the natural groups of clan, caste or traditional allegiance. Under the rajah, the connection between state and village was maintained by the religious character of the rajah as head of caste, and as owner of the soil. Government officials were merely agents without authority, over whose head every cultivator could appeal.

But since independence, the nature of government has profoundly changed. The State has renounced all the religious functions of the rajah and many of his secular functions. Land is to be owned by the tiller irrespective of the rights of others in the land, and the State servants, instead of being the agents of a rajah, by whom they could be dismissed at any time on the complaints of

(5) Provincial assembly — elected on the basis of adult suffrage for each State in India. Thus the new entity of Himachal Pradesh has its own assembly. The Assembly has a cabinet of Ministers responsible to the Assembly.

(6) tahsildar — an appointive official, in charge of the territorial and administrative sub-unit known as the tahsil.

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the inhabitants, are now part of a long chain of officialdom stretching up through the government to the Director, who may well come from a different district. Each senior official has charge of his own department, and the connections between the different departments occur not at the local district level but often at Chamba or Simla or Mandi. For example, the Gaddis of Brahmaur depend for fuel, house building and the construction of water mills upon the right to cut down trees in the forests at the reduced price of five rupees. The authority to cut the tree may be given either by the local Forest Guard or the District Forest Officer. But should a Gaddi⁷ either deliberately or inadvertently infringe a forest regulation, the Forest officer issues a summons through the Chamba courts for the guilty party to attend the Chamba court to pay the fine. Chamba is two days by foot from Brahmaur. Thus summons is issued by the police sergeant. Unless the Gaddi manages to bribe the sergeant not to find him, he is likely to be caught up in an administrative machine out of which he will have difficulty extricating himself.

The power of the impersonal government department is stronger in Himachel Pradesh than ever before. Represented by the police, with the serving of warrants to appear in the district court; by the medical officer of health with compulsory vaccinations of children; by the forest officer with his control of house construction; or by the patwari, with his compulsory interference into the registering of fields at the death of the father, the citizen of Himachel Pradesh is more concerned than ever before on not crossing the steps of authority. Unless he can control his own officials in his own district in his own way, the establishment of "panchayats," based not on the natural clan and administrative system, but on revenue districts will result in a greater extension of the bounds of government control, and a corresponding contraction in the field of village democracy and self-sufficiency.

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(7) Gaddi — a low caste group.

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